REPORT OF THE STATE AUDITOR

DEPARTMENT OF CORRECTIONS

PERFORMANCE AUDIT
SEPTEMBER 1992

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September 28, 1992

Members of the Legislative Audit Committee:

This report contains the results of a performance audit of the Colorado Department of Corrections. This audit was conducted pursuant to Section 2-3-103, C.R.S. which authorizes the State Auditor to conduct performance audits of all departments, institutions, and agencies of state government. This report presents our findings, conclusions, and recommendations, and the responses of the Colorado Department of Corrections and the Criminal Justice Commission.

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REPORT SUMMARY

DEPARTMENT OF CORRECTIONS
PERFORMANCE AUDIT
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Authority, Purpose, and Scope

This performance audit of the Department of Corrections was conducted under the authority of Section 2-3-103, et seq., C.R.S., which authorizes the State Auditor's Office to conduct performance audits of state agencies. The audit was conducted according to the Standards for Audit of Governmental Organizations, Programs, Activities and Functions, issued by the U.S. General Accounting Office. As part of our audit, we reviewed documents, analyzed data, and conducted interviews. Audit work was performed between January and June, 1992.

The purpose of this report is to provide the results of the State Auditor's Office review of the Department of Corrections. In a previous audit, overall department management issues were addressed. Progress in implementing the recommendations in that report will be reviewed at a later date. In this audit, we reviewed the following areas:

- Changes in sentencing and related changes in criminal justice issues affecting the Department of Corrections.
- The Department of Corrections' interaction with county jail officials.
- The Department's process for referring inmates for community placement.
- The Correctional Industries Division's operations.
- The Office of Clinical Services' operations.
- The Office of Facility Management Services' facility maintenance planning and oversight function.

We found the Department has a facility maintenance planning and oversight process. In addition, the Correctional Industries Division is active in establishing new programs and creating inmate jobs. We also found the Department has established measures to contain costs in the clinical services area. This report contains the results of our review in the above-listed areas and 21 recommendations for improvement of operations in the Department of Corrections.

For further information on this report, contact the Auditor's Office at (303) 866-2051.

We would like to acknowledge the assistance extended by the staff of the Department of Corrections. The following summary provides highlights of the comments, recommendations, and responses contained in the report.

The Criminal Justice Commission and the Department of Corrections Are Involved in Efforts To Address Statewide Criminal Justice Issues

A variety of factors influence the operations of the criminal justice system in Colorado. These include sentencing legislation and practice, earned time statutes, funding levels, and policies established by criminal justice and corrections officials. Changes in sentencing laws since 1979 have probably had the greatest effect on the system in recent years. Among the most apparent effects of sentencing legislation are increases in corrections costs. It is less clear that changes in sentencing laws have impacted crime rates. Based on analysis of data provided by the Department of Corrections and the Department of Public Safety's Division of Criminal Justice for Fiscal Years 1987 through 1991, we found the following:

- The rate of violent crime in Colorado has not decreased significantly since 1979, despite the intent of stricter sentencing laws.
- The majority of new admissions to the Department of Corrections are offenders who were convicted of nonviolent crimes.
- Admissions for drug-related crimes have increased more rapidly than admissions for any other single category of crime.

This information suggests that Colorado may not be achieving some expected goals, such as deterrence, through its criminal justice and corrections legislation and policies. However, the Criminal Justice Commission is beginning to address these types of issues. The Commission currently is working on a project to modify Colorado laws on crimes and sentencing. We believe these are important efforts in addressing statewide corrections issues. **We encourage the Criminal Justice Commission to continue its efforts and consider the need for additional work in the areas of anticipating the effects of major policy changes, evaluating the allocation of resources among criminal justice agencies, and improving the coordination of state and local corrections organizations.**

Criminal Justice Commission Response:

The Commission is in general agreement. Regarding "a", the Division of Criminal Justice (DCJ) provides staffing support for the Commission and is exploring existing computerized programs for monitoring justice systems and projecting effects of policy shifts. If such models are inappropriate for Colorado's system, DCJ is also considering creation and maintenance of databases that would integrate information from law enforcement, courts, and corrections and be used for policy analysis.
These databases could also serve as the basis for addressing item "b" of this

recommendation. The Commission also understands the importance of coordinating efforts with local units of government. The Colorado justice system for adults, as well as juveniles, relies heavily on community-based programs operated by units of local government or private agencies. The Commission will use a variety of forums to improve interaction with local agencies and policy-makers, such as the workshop on Intermediate Sanctions scheduled for October 29-30, 1992.

Reimbursement Requirements Do Not Consider Delays in Transferring State Inmates

When offenders are sentenced to imprisonment in Department of Corrections facilities, they are first held in county jails to await transport to the Department. According to statutes, the Department is required to reimburse counties for the costs of holding state inmates longer than 72 hours after sentencing. We found this requirement creates difficulties when there are delays in transferring state inmates out of county jails. For example, counties may delay notifying the Department about state inmates, so the Department is unable to move the inmates in a timely manner. As a result, the Department would owe reimbursement to the counties for failing to move inmates it did not know about. Conversely, when the Department follows procedures to avoid owing reimbursements to the counties in such situations, it does not comply with the statutes.

The statutes currently do not allow flexibility in the State's reimbursement to the counties. In addition, the statutes do not address the current situation in which transfers of state inmates out of county jails are delayed and a continuous backlog of state inmates exists. **The Department should recommend changes to the statutes that would allow flexibility in reimbursing the counties for state inmates on the backlog. In addition, the Department should communicate and enforce its reimbursement policy consistently among counties.**

Department of Corrections Response:

Partially agree. The Department must continue to clearly communicate its reimbursement and notification policy and procedures to the local jails. Based upon the procedures promulgated by the State Auditor's Office as a result of SB 91-221, the Department will draft new administrative regulations to clearly identify the process by which payments to local jails will be approved. Once written, these policies will be reviewed by the Attorney General's Office and, if necessary, that review may enable the Department to determine if legislation would be required.

Discrepancies Exist Between County and Department Records on Backlogged Inmates

We compared the Department's rosters of backlogged inmates with a sample of billing statements prepared by three counties and identified discrepancies in the two sets of records. We found inmates listed on the backlog but not included in billing statements, as well as duplicate listing of some inmates on a county's bill. **We recommend the Department ensure its policy for reimbursing counties for backlogged inmates is clearly communicated.**

Department of Corrections Response:

Agree. As stated in the above response, the Department agrees that a clearly communicated backlog policy is imperative to maintaining a good working relationship with the local jails. Procedures developed by the State Auditor for billing purposes have been communicated to the counties and departmental staff have been available to address questions from the sheriffs. The Department will review all billings by January 1, 1993, and, if necessary, schedule meetings with individual counties to clearly explain the process prior to the end of the fiscal year to ensure that the counties are accurately reporting the information that will ultimately be used to determine their reimbursement rate.

Inmates Are Not Always Placed in Community Corrections Centers as Early as Possible

We reviewed 22 files of offenders who were referred for community placement in Fiscal Year 1992 and found that 12 of the offenders, or 55 percent, were not placed in the community as early as they could have been. The ability to place inmates in the community is most affected by the number of beds available. However, when beds are limited, efficient use of those beds becomes increasingly important, and procedures for timely placement are critical. We also found that 6 of the 22 offenders were referred after the date on which they could have been placed. As a result of late placement, the Department incurs higher-than-necessary costs for confining inmates who could be in community centers. We estimate the State spends about $14 per day more to hold an inmate in prison than to maintain the inmate in community corrections centers. **We recommend the Department improve its process for referring inmates for community placement.**

Department of Corrections Response:

Agree. DOC Administrative Regulation 250-3, Community Placement Referral Process, was signed by DOC Executive Director Frank O. Gunter on September 1, 1992. This document expands the processing time frames by three (3) months to assist in meeting the statutory referral dates. Additionally, this significant change will be updated in the Case Management Manual which is used as a guide by facility/center case managers.

Correctional facility Operational Memoranda are now being developed to ensure appropriate implementation and timely referrals to community placement.

Parole Eligibility Dates Are Not Always Accurate

Referral for community placement is based on the projected date an inmate will become eligible for parole. According to statute, most inmates may be placed in community corrections centers up to 16 months just prior to their parole eligibility dates. Therefore, accurate projections of parole eligibility dates are critical for timely community placement. However, the Department's procedures for accruing earned time and projecting parole eligibility dates do not ensure that the dates are always current. As a result, inmates may be referred for community placement based on outdated parole eligibility dates. This contributes to the late placement of inmates. **We recommend the Department modify its policies for accruing earned time and calculating parole eligibility dates, and ensure that community placement referrals are based on current projections of dates.**

Department of Corrections Response:

Partially agree. The Department has regularly calculated earned time on a semiannual basis for both persons incarcerated and on parole. A recent update in the DOC computer system and program for sentence computation now enables projected updates to parole eligibility dates (PED). This is reflected each time a transaction occurs in the inmate's record which affects his/her PED. The Department has developed advanced computer programming which automatically links changes in parole eligibility dates to the community placement referral list. This, coupled with the increased processing time, will provide an accurate referral list with sufficient time frames to meet the statutory referral dates.

State Agencies Manage Their Property Without Assistance from the State Surplus Property Program

According to its manual, the basic goals of the state surplus property program are to maximize the State's investment in property and to manage state surplus property for state agencies. We believe state agencies manage their investments in their own property without the assistance of the surplus property program. In addition, it is not clear that the state surplus property program is self-supporting. **We recommend the Department consider changing the structure of the Surplus Property Agency by discontinuing the collection and redistribution of state surplus property, coordinating state agency efforts to dispose of and transfer property, and increasing efforts to obtain usable federal surplus property.**

Department of Corrections Response:

Agree. We, too, have questions about the wisdom of this agency continuing to collect state surplus property, which frequently has been of little use to any other agency. We will consider alternatives to our present collection, transport, and redistribution systems, and the possible acquisition of additional federal surplus property. This review will be accomplished by June 30, 1993.

Clinical Services Office Needs To Increase Oversight of Facilities

Each correctional facility in the Department of Corrections system provides some types of clinical services to inmates. We found that the central Clinical Services Office does not adequately oversee some of the functions performed by the individual facilities. For example, we contacted some of the correctional facilities and found differences in the following areas:

- The assessment of a three-dollar fee for certain medical services. Statutes require the Department to charge inmates a three-dollar fee for visits to physicians, dentists, optometrists, and psychologists when the inmates have not been referred for the service by a medical professional. The facilities we contacted charge the fee in different circumstances, some of which are not consistent with the statutes.

- The availability of training on HIV infection and AIDS. Some facilities provide ongoing training in these areas to staff and inmates, while others provide little or no training.

- The provision of HIV tests for inmates who are returned from community placement. Some facilities test all inmates returning from community placement, while others decide whether to test based on a variety of factors.

We recommend the Department increase its central oversight of clinical services procedures in the correctional facilities.

Department of Corrections Response:

Partially agree. The review of Clinical Services recommended more central oversight over various aspects of its systemwide operation including HIV training, management of the mandated $3.00 fee for services, cost estimating, and cost containment. Clinical Services responses reflect a continuing willingness to exert more centralized influence in areas of quality assurance, infection control, and cost containment. Current approaches to cost health care estimating and decisions regarding the feasibility of specific contracts are defended as appropriate.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	26	Continue efforts to improve the criminal justice system and consider additional areas.	Criminal Justice Commission	Agree	Ongoing
2	28	Determine what types of data will be needed for evaluation efforts and work with agencies as necessary to ensure the data is available.	Criminal Justice Commission	Agree	Ongoing
3	28	Ensure the new management information system will provide complete, detailed, consistent information to meet the needs of the Department and the Criminal Justice Commission.	Department of Corrections	Partially Agree	1/1/93
4	36	Improve management of the backlog by recommending changes to the statutes to allow flexibility in reimbursing counties. In addition, develop, communicate, and consistently apply a reimbursement policy that is in line with the statutes.	Department of Corrections	Partially Agree	1/1/93
5	38	Increase efforts to ensure policies for notification and reimbursement for backlogged prisoners are clearly communicated.	Department of Corrections	Agree	1/1/93
6	42	Establish a policy to begin community referrals earlier. Formalize, communicate, and monitor referral procedures.	Department of Corrections	Agree	9/1/92
7	43	Clarify and communicate policies for referring inmates with disciplinary violations for community placement.	Department of Corrections	Agree	9/1/92

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
8	46	Revise policies and procedures for accruing earned time to ensure that offenders are referred for community placement in a timely manner.	Department of Corrections	Partially Agree	9/1/92
9	54	Consider discontinuing the collection and redistribution of state surplus property and increase efforts to obtain federal surplus property.	Department of Corrections	Agree	6/30/93
10	55	Collect and analyze data to determine the true profitability of the Surplus Property Agency.	Department of Corrections	Agree	1/1/93
11	57	Establish a system to increase awareness of Surplus Property among state agencies.	Department of Corrections	Agree	6/30/93
12	59	Evaluate the duties of the central business office and the Correctional Industries fiscal office and make changes to eliminate duplication and assign all duties.	Department of Corrections	Agree	1/1/93
13	61	Continue efforts to allocate more common costs in the Correctional Industries area.	Department of Corrections	Agree	9/30/93
14	63	Emphasize the fiscal review process as a method to correct problems in record keeping and increase efforts to reconcile records.	Department of Corrections	Agree	11/1/92

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
15	65	Develop methods to evaluate Correctional Industries' success in achieving all its goals.	Department of Corrections	Partially Agree	6/30/93
16	67	Expand efforts to involve private firms in Correctional Industries programs.	Department of Corrections	Agree	4/1/93
17	72	Ensure all facilities are complying with the statutory requirement to charge a fee for all unreferred medical visits.	Department of Corrections	Partially Agree	1/1/93
18	75	Develop and implement policies and procedures to ensure all staff and inmates have adequate access to training on HIV infection and AIDS.	Department of Corrections	Partially Agree	1/1/93
19	78	Standardize and communicate policies and procedures for HIV testing of inmates returning from community placement.	Department of Corrections	Agree	1/1/93
20	79	Document the process and information used to develop cost estimates for use in evaluating contract proposals. Ensure the process results in estimates that are as accurate as possible.	Department of Corrections	Disagree	In Place
21	82	Continue and expand clinical services cost-containment efforts.	Department of Corrections	Agree	9/93

DESCRIPTION OF THE DEPARTMENT OF CORRECTIONS

Background

The Department of Corrections is responsible for the confinement and management of offenders sentenced to incarceration in a state prison. To fulfill this responsibility, the Department currently operates 16 correctional facilities throughout the State. These facilities housed 7,300 inmates as of June 30, 1992. The table on p. 13 lists Department of Corrections facilities, along with the security classification and the inmate population. For Fiscal Year 1992 the Department employed about 3,000 full time equivalent staff (FTE) and had $178.9 million in operating funds. The Department is primarily general-funded, receiving about 16 percent of its funds from cash funding sources. The primary source of cash funding for the Department is revenue generated by the Correctional Industries Division. In addition to operating funds, the Department was appropriated about $1.9 million in capital construction funds for Fiscal Year 1992.

In August 1991 the Department underwent a reorganization, establishing three general organizational branches - Operations, Correctional Programs, and Administrative Services. Several of the divisions and offices within these branches are described below.

Office of Offender Services

This office is responsible for security classification of inmates, case management, time computation, and inmate transfers. The case management function involves day-to-day interaction with the inmates, and maintenance of inmate files. The case managers also prepare inmates for presentation for parole hearings and initiate referrals for placing inmates in community corrections facilities. In addition, Offender Services staff interact daily with county corrections officials to coordinate the transfer of state-sentenced inmates from county jails to Department of Corrections facilities.

Division of Community Corrections

The Community Corrections Division is responsible for referring inmates for community placement. Inmates are eligible to be referred for placement in community corrections centers according to statutory criteria. This division processes the referrals, which originate with the case managers. Community Corrections also coordinates with community corrections centers, which are privately operated, to transfer acceptable inmates. In addition, community corrections supervisors monitor inmates placed in community corrections centers and hold hearings for those who violate regulations while in community placement. The Community Corrections Division had 24 FTE and about $1.1 million in funding for Fiscal Year 1992.

Division of Correctional Industries

Correctional Industries operates as a profit-oriented organization, employing inmates, and selling products and services to support its operations. The goals of the division are to occupy as many inmates as possible, to provide inmates with work skills, and to generate profits. The division operates more than 30 different shops and industries, including furniture manufacturing, farm and dairy operations, and the State's Surplus Property Agency. The Division employed over 1,000 inmates in Fiscal Year 1992, and generated over $16 million in revenues. The division has 125 FTE and about $20 million in funding, most of which is cash funding from operations.

Office of Clinical Services

The Office of Clinical Services is responsible for providing medical services to Department of Corrections inmates. This includes pharmacy, drug and alcohol abuse treatment, domestic violence treatment, dental, optometric, and mental health services. The office operates a variety of clinics and care operations at each correctional facility. The office includes 178 FTE, and had about $12.5 million in funding in Fiscal Year 1992.

Department of Corrections Facilities and Population
As of June 30, 1992

Facility	Security Level	Population
Centennial	Maximum	302
Limon	Medium	921
Arkansas Valley	Medium	975
Buena Vista	Medium	1,001
Territorial	Medium	598
Fremont	Medium	1,034
Arrowhead	Minimum/Restricted	360
Four Mile	Minimum/Restricted	300
Pre-Release	Minimum/Restricted	163
Skyline	Minimum	200
Colorado Correctional	Minimum	148
Delta	Minimum	299
Rifle	Minimum	148
Alternative Program	Minimum	88
Women's Facility	All Levels	295
Denver Diagnostic	All Levels	468
Total In Facilities		7,300
Community Placement		685
Intensive Supervision		52
Jail Backlog		385
Other (Includes escapees and inmates off-grounds for hearings, medical reasons, etc.)		352
Total Jurisdictional Population		8,774

Source: Data provided by the Department of Corrections.

STATEWIDE CORRECTIONAL SYSTEM ISSUES

Chapter 1

The Department of Corrections Is One Part of Colorado's Complex Criminal Justice System

Our audit focused on Department of Corrections operations. However, in examining issues such as prison crowding and state/local coordination, it is necessary to consider the contributions of other key organizations. In fact, the Department of Corrections is just one component in the interdependent network of state and local agencies that carry out Colorado's criminal justice policies. Other entities include:

- The Division of Criminal Justice at the Department of Public Safety
- The State Parole Board
- The Judicial Department
- Community corrections boards and providers
- County jails
- The Criminal Justice Commission

Since so much of the Department of Corrections' operations are affected by policies and practices of these other entities, we collected data related to the system as a whole. This chapter presents information about sentencing, crime rates, incarceration rates, prison and jail crowding, and corrections costs. It also includes a recommendation to a committee of criminal justice and corrections officials and legislators to encourage the consideration of these issues at a policy level.

Significant Changes in Sentencing Laws Have Occurred Since 1979

Prior to 1979, sentencing and parole decisions were discretionary in Colorado. Legislation passed in 1979 changed sentences from indeterminate to determinate. This means that classifications and sentencing ranges were instituted for offenses. For example, first degree kidnapping, which is a Class II felony, became punishable by imprisonment of 8 to 12 years. In addition, the legislation stipulated that offenders would be eligible for parole when they had served half their sentences.

In 1981, additional legislation passed which required courts to sentence offenders above the maximum of the sentencing range for all crimes involving violence or other aggravating factors. In 1985 sentencing ranges for felonies were increased. For example, sentencing for a Class II felony changed from a range of 8 to 12 years to a range of 8 to 24 years. In addition, parole became discretionary again.

Legislation which mitigates some of the effects of these sentencing changes was passed in 1988, 1989, and 1990. Changes included:

- Reductions in sentence ranges for certain felony classes.
- The addition of a new felony class - Class VI - which tended to reduce sentences for some crimes which were previously Class IV and V felonies.
- Redefinition of the sentencing range for offenses in the aggravated range. Previously, crimes in this range were sentenced at "greater than the maximum sentence to twice the maximum." This was changed to the "midpoint of the sentence to twice the maximum."
- Increases in the amount of earned time an offender was eligible to receive. Earned time is the awarding of credit toward completion of an inmate's sentence for good behavior and demonstration of progress in certain areas.

Changes in Sentencing Laws Have Had Numerous Effects on the Criminal Justice System

The changes in Colorado's sentencing laws have had a variety of results. For example:

- The population of offenders under the jurisdiction of the Department of Corrections more than tripled between 1980 and 1992, and the estimated overall length of time inmates spend in prison increased overall between 1980 and 1991.

- The Department of Corrections' budget, including both cash and general funding, increased from about $50 million in Fiscal Year 1981 to about $173 million in Fiscal Year 1992.

- A backlog of state prisoners in county facilities was established in 1982 and has continued almost unabated through Fiscal Year 1992. Since 1985, statutes have mandated state reimbursement to counties for the expenses they incur in confining and maintaining these prisoners. In addition, the State has incurred legal costs for failing to comply with laws and court decrees governing the timely transfer of state inmates.

- The backlog of state inmates has created difficulties for the Department in making decisions about awarding earned time to inmates.

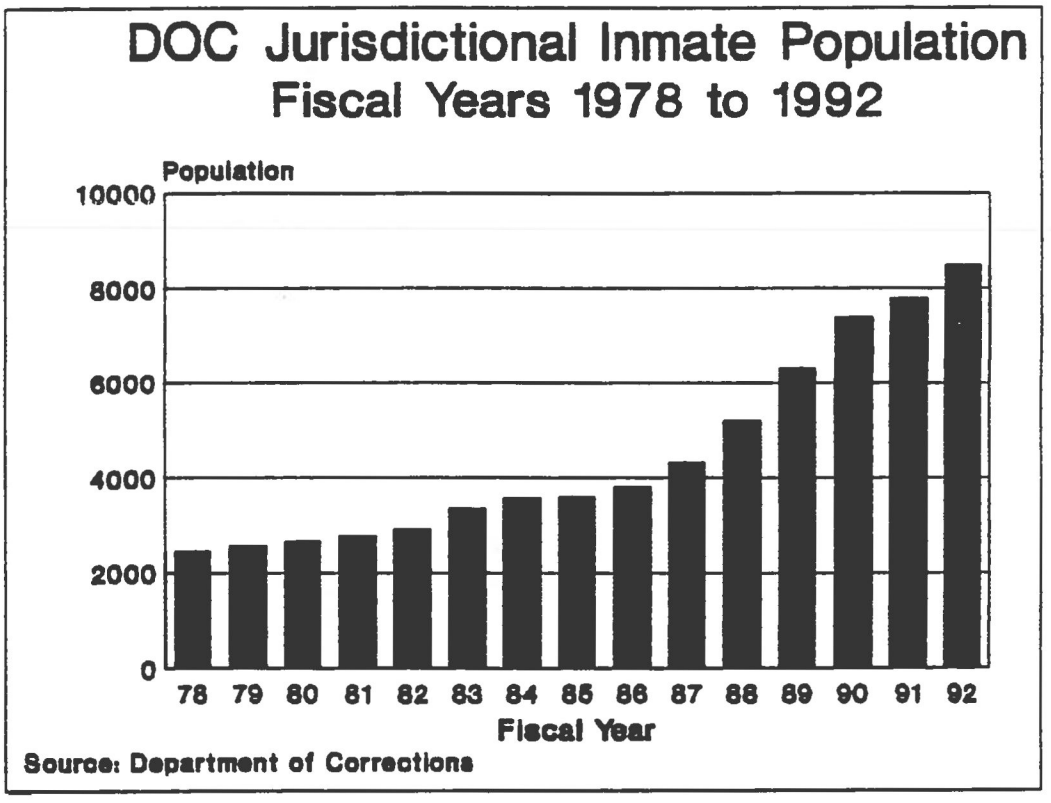
Although Colorado has seen an increase in the prison population and has applied increasing resources to the criminal justice system, other outcomes that might be expected have not occurred. Specifically:

- Violent offenders are not being incarcerated at a faster rate than nonviolent offenders.

- Colorado's overall crime rate is not clearly declining in response to harsher sentencing.

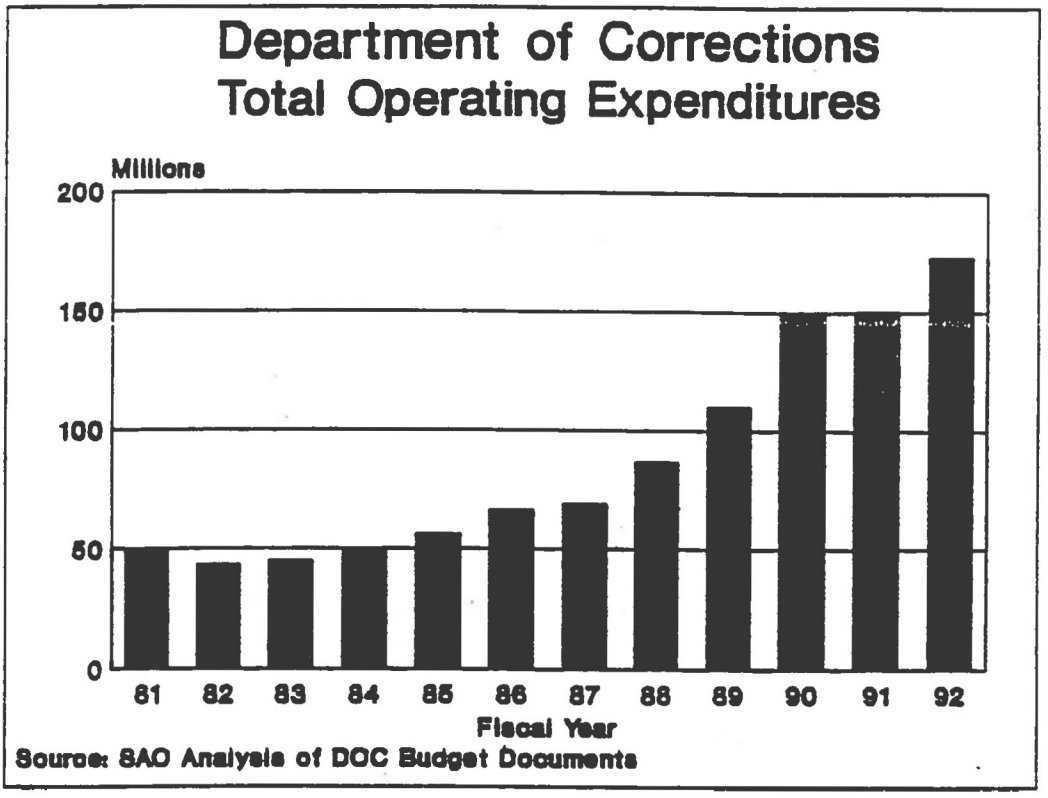
The Inmate Population and Corrections Costs Have Increased Substantially

In Fiscal Year 1980, the population of inmates under the jurisdiction of the Department of Corrections was 2,658. This represents an incarceration rate of about 97 persons per 100,000 Colorado population. In Fiscal Year 1992 the inmate population had increased to 8,484, representing an incarceration rate of about 250 persons per 100,000 population. Increases in the population of inmates under the jurisdiction of the Department of Corrections are shown in the following chart.



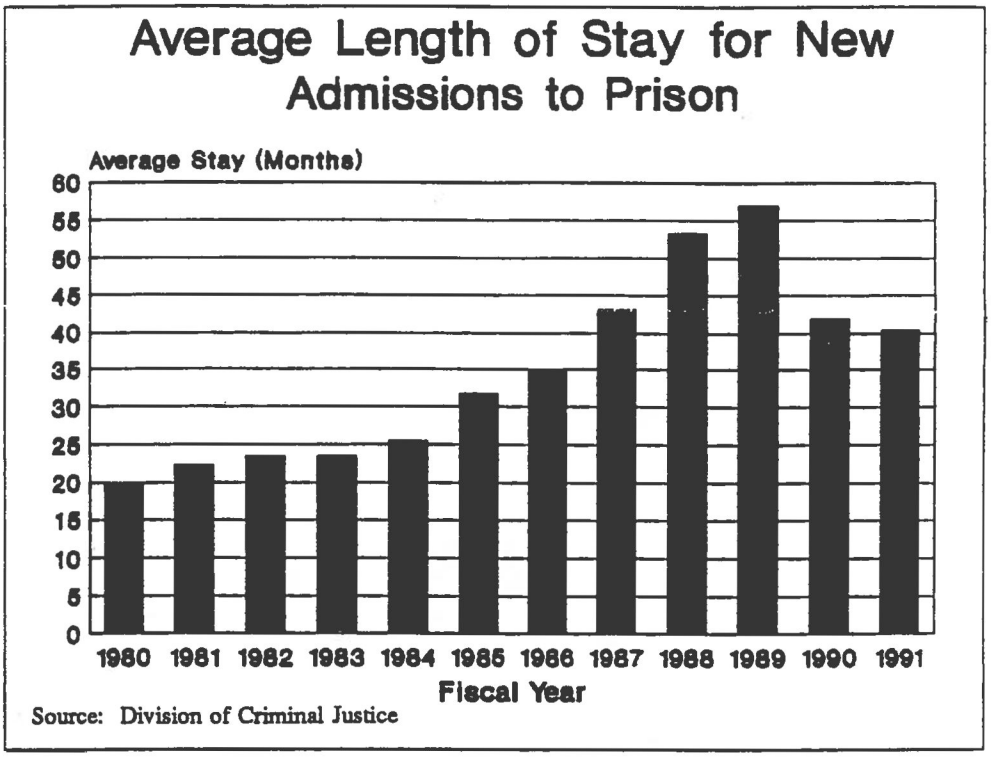
The Department of Corrections' operating budget tripled between Fiscal Years 1981 and 1991.

The increased inmate population has affected the Department of Corrections' operating budget significantly. Department expenditures tripled between Fiscal Years 1981 and 1991. In addition, according to the Department of Corrections, about $242 million was spent on prison construction and expansion between 1987 and 1992. The graph below shows how Department of Corrections operating costs have increased. It does not include capital construction expenditures, which are funded separately from operating costs.



The Estimated Average Length of Stay In Prison has Increased Overall Between 1980 and 1991

We reviewed Division of Criminal Justice data on the estimated length of time spent in prison for inmates who were admitted to the Department in Fiscal Years 1980 through 1991. We found the average length stay increased overall from an estimated 20 months in Fiscal Year 1980 to about 40 months in Fiscal Year 1991. Estimated length of stay peaked in Fiscal Years 1988 and 1989. These changes are shown in the following chart.



Increasing Population Has Led to Prison Crowding and the Establishment of a Jail Backlog

Increases in the correctional system's capacity to oversee offenders, either through traditional prison incarceration or through alternative sanctioning, has not kept pace with increases in the inmate population. As a result, Department of Corrections facilities have become overcrowded. According to Department statistics, all Department facilities combined were operating at about 115 percent of design capacity as of June 30, 1992.

The capacity problems in the Department's facilities have also contributed to crowding in county jails. Newly sentenced prisoners are temporarily housed in county jails until the Department of Corrections can transfer them to state correctional facilities. For the period Fiscal Year 1982 to 1991, there was an average of 307 state inmates backlogged in county jails. In Fiscal Year 1992, the backlog was eliminated for about six months when the Department opened the Limon Correctional Facility. However, in February 1992, the backlog began again and has continued through the end of the fiscal year. (See Chapter 2 for a chart of the jail backlog.)

Using data from 14 Colorado county jails that normally house backlogged state inmates, we found these facilities were running on average at 93 percent of capacity during Fiscal Year 1991. Three of the jails in the sample typically operated at over 100 percent capacity during this time. State inmates, including parole violators and community corrections violators, represented on average about 5 percent of the prisoners in these facilities.

The State Pays Costs Associated With the Jail Backlog

Annual costs to reimburse county jails for backlogged inmates peaked in Fiscal Year 1990 at over $14 million.

Beginning in 1985, statutes require that the Department of Corrections reimburse county jails for costs incurred in maintaining state inmates. The rate of reimbursement changed from $16 to $40 per day per inmate in 1988. Reimbursement costs peaked in Fiscal Year 1990 at over $14 million. In July 1992 the rate was changed to an individual audited rate for each county. The expected average reimbursement rate for Fiscal Year 1993 is about $11 per day per inmate.

Although the decrease in the reimbursement rate will reduce the Department's costs for backlogged inmates, there are other costs associated with the backlog. The Department of Corrections has incurred legal costs due to non-compliance with laws and court orders requiring timely transfer of inmates from county jails to Department facilities. The Department is currently under state and federal court orders affecting 13 counties which relate to timely removal of its inmates from county jails. We could not estimate the expenses incurred by the Department for all of these court actions.

Backlogging of State Inmates Contributes to Concerns Related to Earned Time Awards

The earned time program awards time credits to inmates who make substantial and consistent progress in several categories. These include work and training, group living, counseling and self-help groups, education and literacy, and programs established through the State's diagnostic process. Inmates are awarded earned time not only while they are in Department facilities, but also while they are backlogged in jails. We found that backlogging inmates in county jails creates difficulties related to the awarding of earned time.

First, inmates backlogged in jails do not have the ability to demonstrate progress in all the categories established by statute. For example, inmates cannot show

progress toward goals established by the State diagnostic program because they are not processed through the diagnostic system until they are removed from the county jail. In addition, some jails do not offer programs for inmates in the categories listed in the statute.

Second, the Department does not have a formalized process to receive information on inmate participation when programs are available. In other words, if an inmate is housed in a jail that offers some programs, and the inmate participates in those programs, the Department of Corrections may not obtain information about the inmate's progress.

According to Department staff, the policy to award earned time to backlogged inmates is based on the premise that inmates should not suffer because of the Department's inability to house them within the State's system. We believe this is a valid concern. However, the result is that inmates are awarded earned time when the Department does not have evidence to support the award, and when inmates may not actually have met the criteria. Thus, incarceration time is reduced, but without assurance that inmates have made progress in the specified categories. This is another example of a problem created by the prison crowding and jail backlogging.

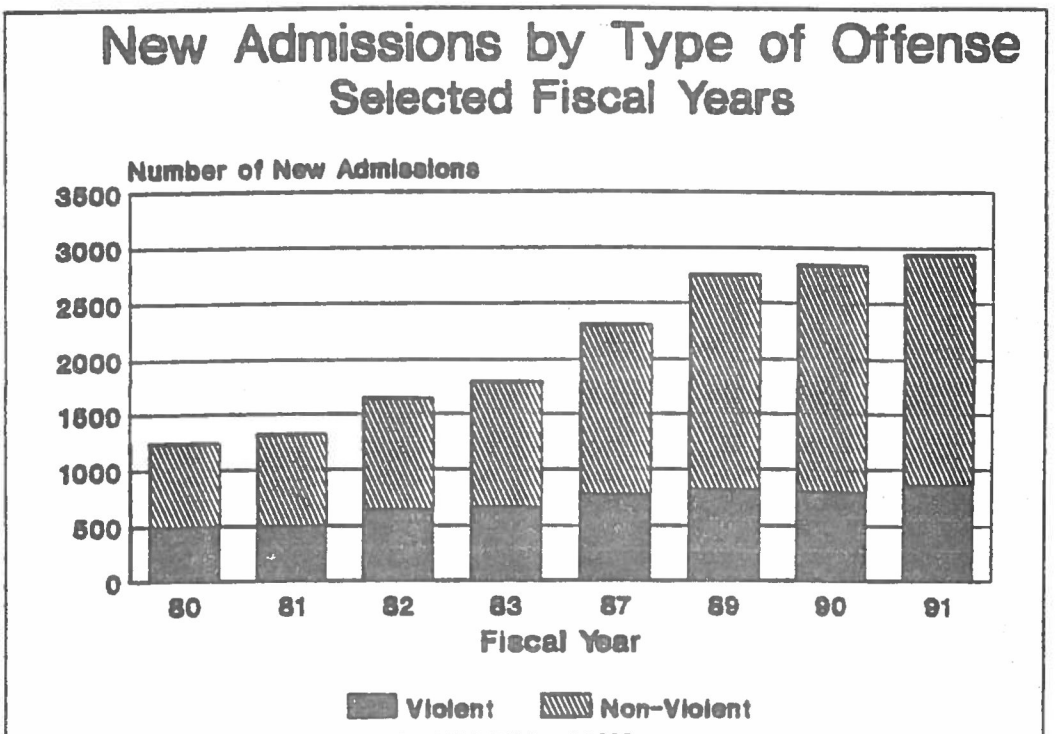
Department of Corrections Capacity Problems Contribute to Numerous Inmate Transfers

As the inmate population increases and prison beds are used to their fullest capacity, the number of inmate transfers among facilities tends to increase. This is because when the Department operates at or near its bed space capacity, the movement of any prisoners in or out of Department facilities may create the need for other inmates to be moved to accommodate the change. For example, sometimes prisoners must leave the Department for various reasons, such as to attend hearings. While the prisoner is gone, his or her bed may be filled with a prisoner from the backlog. When the inmate is ready to return to the Department, a new bed must be found. Numerous transfers cause increased costs, logistical problems, and programmatic concerns.

In addition to the costs associated with transfers, security concerns may also arise. Superintendents we contacted reported inmates returning to facilities from outside the Department are often placed in segregation beds. A segregation bed is typically reserved for inmates who exhibit behavior problems and pose a threat to the security and safety of other inmates and staff. Placing incoming inmates in segregation beds is a potentially dangerous practice should the need for the segregation bed arise and the bed not be available.

The Majority of New Admissions Are Nonviolent Offenders

According to data from the Department of Corrections for Fiscal Years 1987, 1989, 1990, and 1991, the majority of new admissions are nonviolent criminals. Data were not available for Fiscal Year 1988. According to the Department of Corrections, nonviolent offenders are those committing crimes such as theft, burglary, and drug abuse. New admissions increased about 25 percent between Fiscal Year 1987 and 1991, and nonviolent admissions represented about 70 percent of the new admissions each year. Thus, Colorado's incarceration rate for nonviolent offenders is increasing faster than that of violent offenders. Data show that violent crime-related admissions increased 10.9 percent, whereas nonviolent admissions rose 36.3 percent during the years we analyzed. Drug-related admissions showed the largest increase for the period at nearly 165 percent. The chart below shows the increases in admissions for violent and nonviolent offenses. Tables in Appendix A show population and admissions by type of crime for fiscal years between 1987 and 1991.

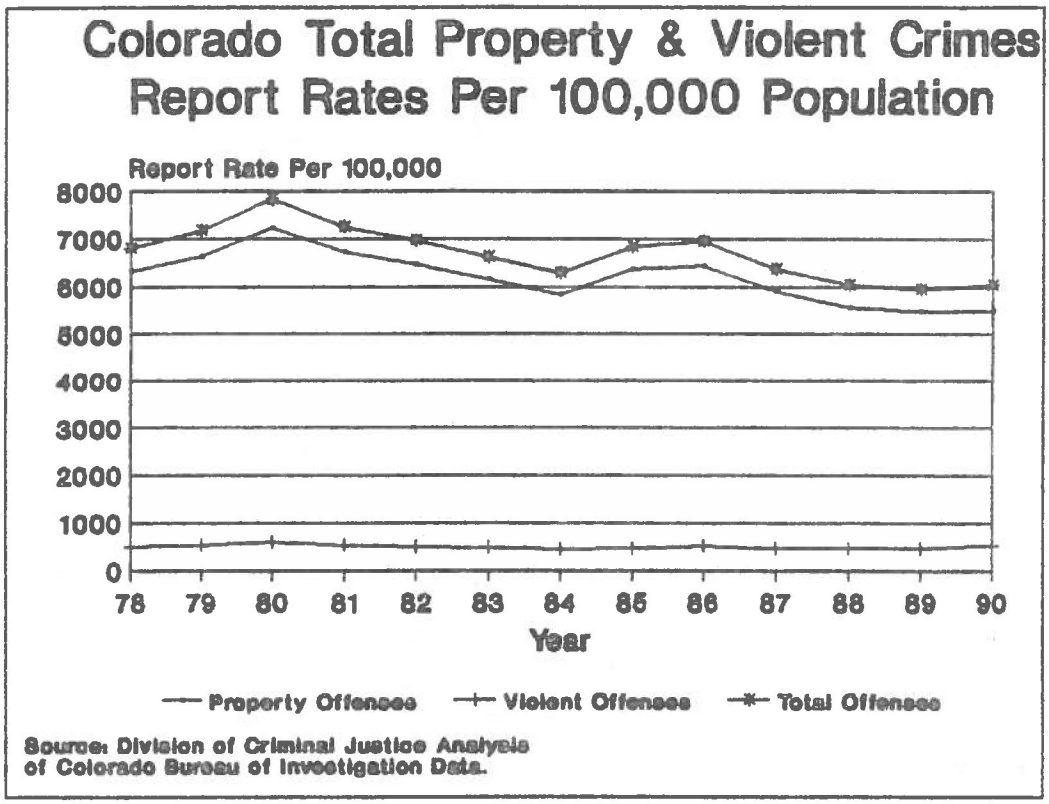


Note: DOC could not provide data for 1984-1986 and 1988.
Source: Department of Corrections

It Is Not Clear That Sentencing Legislation Has Reduced Colorado's Crime Rate

The rate of violent crime remained relatively constant between 1978 and 1990.

If harsher sentences deter criminal activity, decreases in crime rates and recidivism should result. However, it is not clear that crime and recidivism rates have been affected by the sentencing changes in Colorado. As the following table shows, total crime in Colorado per 100,000 persons peaked in 1980 and has remained at varying levels below the peak since. Property crimes have decreased somewhat overall since 1980, but violent crime has remained relatively constant over the period.



In addition, Department of Corrections statistics indicate the recidivism rate rose steadily from about 21 percent in 1979 to about 39 percent in 1988. The Department of Corrections determines recidivism based on the number of persons who have been incarcerated in Department facilities and who commit new offenses in Colorado within three years of release.

Colorado Is Not Unique in the Corrections Issues It Faces

According to literature we reviewed, issues of prison crowding, jail backlogs, and other effects of sentencing are being encountered nationwide. For example:

- Since 1980, the number of people incarcerated in state and federal correctional facilities has increased 76 percent, creating the need for the equivalent of about 900 new prison beds every week.

- One of every fifty-two adults in the United States is under some form of correctional sanction.

- Corrections expenditures have been one of the fastest rising components of state budgets for the past 10 years.

- It is not clear that there has been any significant change in violent crime rates. The U.S. Bureau of Justice Statistics reported a decline of 14 percent in the violent crime rate between 1981 and 1987, while the Federal Bureau of Investigation reported a 17 percent increase in reported violent crimes between 1983 and 1987.

A Criminal Justice System Has Several Goals

Criminal justice and corrections systems have a variety of goals which may come into conflict with each other. Policy decisions to lengthen sentences, particularly for violent crimes, are based in theories of deterrence and incapacitation. Theoretically, longer periods of incarceration should deter the commission of crime or at least incapacitate an individual so that he or she will not have the opportunity to commit a crime for a period of time.

Restitution and rehabilitation are also underlying goals of a criminal justice system. However, while incarceration may afford an opportunity to rehabilitate criminals by providing educational, social, and vocational training, it does not necessarily provide an environment which is conducive to victim restitution.

Criminal justice objectives may be prioritized differently by different entities involved in the system, leading to policy decisions which are at odds with one another. Therefore, a comprehensive system-wide approach is needed for effective achievement of the goals.

Efforts Are Being Made To Improve Colorado's System

The Criminal Justice Commission is working on projects to address policy-level criminal justice issues.

Colorado's criminal justice policy makers are beginning to examine policies on a cross-agency, statewide level. In 1989 the General Assembly established the Criminal Justice Commission, which is generally charged with reviewing elements of the State's criminal justice policy, and recommending changes. The Commission comprises legislators and appointees representing the criminal justice system.

The Criminal Justice Commission is currently working on several projects, one of which is to reform Colorado law on crimes and punishments. The objective of the project is to develop legislation which re-categorizes crimes and punishments based on the opinions of a sample of Colorado criminal justice system officials and the general public. The Commission is also reviewing alternatives to incarceration, among other projects.

The establishment of the Criminal Justice Commission is a significant effort to improve Colorado's criminal justice system. Based on the information presented in this chapter, we believe the need for the Commission is clear. We support the Commission and encourage the continuation of its efforts to address complex and sometimes conflicting issues.

Recommendation No. 1:

The Criminal Justice Commission should continue its efforts to improve the criminal justice system, and should consider the need for the following:

a. The development of models of Colorado's criminal justice system so that the effects of major policy changes may be anticipated throughout the system.

b. The evaluation of the efficiency and effectiveness of the allocation of resources among agencies with corrections programs.

c. The improvement of coordination and cooperation between state and local corrections agencies and policy makers.

Criminal Justice Commission Response:

The Commission is in general agreement. Regarding "a", the Division of Criminal Justice (DCJ) provides staffing support for the Commission and is exploring existing computerized programs for monitoring justice systems and projecting effects of policy shifts. If such models are inappropriate for Colorado's system, DCJ is also considering creation and maintenance of databases that would integrate information from law enforcement, courts, and corrections and be used for policy analysis. These databases could also serve as the basis for addressing item "b" of this recommendation. The Commission also understands the importance of coordinating efforts with local units of government. The Colorado justice system for adults, as well as juveniles, relies heavily on community-based programs operated by units of local government or private agencies. The Commission will use a variety of forums to improve interaction with local agencies and policy-makers, such as the workshop on Intermediate Sanctions scheduled for October 29-30, 1992.

Consistent, Reliable Data Is Needed For Evaluation of the Criminal Justice System

In reviewing the relationships among various elements in the criminal justice system, we attempted to statistically evaluate data on incarceration rates, prison populations, and length of incarceration. Using data provided by the Department of Corrections, we requested an independent statistical analysis of how these elements had changed between 1979 and 1992, and a determination of any relationships between sentencing changes and these factors. The results of the analysis were inconclusive due to incomplete data.

Although the Department of Corrections maintains a variety of information on inmates, there were two problems with the data we requested. First, the Department of Corrections did not compile some data in a consistent format for all years we attempted to review. For example, for some years the Department of Corrections had admission rates by geographic region, but these data were not available after Fiscal Year 1982. Second, the Department had little data readily available for Fiscal Years 1984, 1985, and 1988. The Department is implementing a new management information system which will improve its ability to maintain and access data.

Consistent, comprehensive information from a variety of sources, such as the Department of Corrections, the Division of Criminal Justice, and the Judicial Department, is critical for assessing the outcomes of criminal justice policy. In

particular, such data will be valuable to the Criminal Justice Commission as it proceeds with its efforts to review the criminal justice system in Colorado. Therefore, we believe the Criminal Justice Commission should identify the types of data it will need. The Commission should work with the Department of Corrections and other agencies as appropriate to ensure that such information is maintained and compiled in a useable manner.

Recommendation No. 2:

The Criminal Justice Commission should:

a. Determine what types of data it will need, and in what format, for its efforts in reviewing and evaluating Colorado's criminal justice system.

b. Work with the Department of Corrections and other agencies as necessary to ensure such data will be available.

Criminal Justice Commission Response:

The Commission concurs with this recommendation. Resources are being requested to support the Commission and other state policy-makers with an ongoing data collection, system monitoring process. Representatives of the Judicial Department, Department of Corrections, Public Safety have been convened to analyze current prison population projections. Representatives from these and other justice system agencies will continue to meet 1) to determine the information needed from throughout the justice system to adequately monitor and evaluate the system; 2) to determine methods for integration of existing computer systems, and 3) to identify information gaps that need to be filled to provide a comprehensive understanding of factors and forces driving the system. This working group will provide factual information and statistics to the Commission.

Recommendation No. 3:

The Department of Corrections should ensure that its new management information system will provide complete, detailed, consistent information to meet its own needs as well as those of the Criminal Justice Commission.

Department of Corrections Response:

Partially agree. The Department of Corrections would agree that a statistical analysis of the sentencing changes and population trends would take detailed data not routinely maintained by the Department. This type of policy analysis requires a thorough research design and specific data. We agree that policy research is not the sole responsibility of the Department, but a criminal justice responsibility directed by the Criminal Justice Commission.

The Department of Corrections maintains numerous types of data in a variety of formats. The format is established and varies by requests and type of readership. Although the data format requested by the audit team may have not been available, raw data was available and could have been compiled for audit purposes. The necessary data to produce the trends mentioned in the audit report were available.

We concur that more involvement of the department would benefit the work of the Criminal Justice Commission. The Department should be further represented on the Commission by both policy and analytical staff.

The Department has converted to a dedicated offender data base. This new system will allow increased flexibility in data needs and data retrieval.

DEPARTMENT OF CORRECTIONS' INTERACTION WITH COUNTIES AND COMMUNITY CORRECTIONS CENTERS

Chapter 2

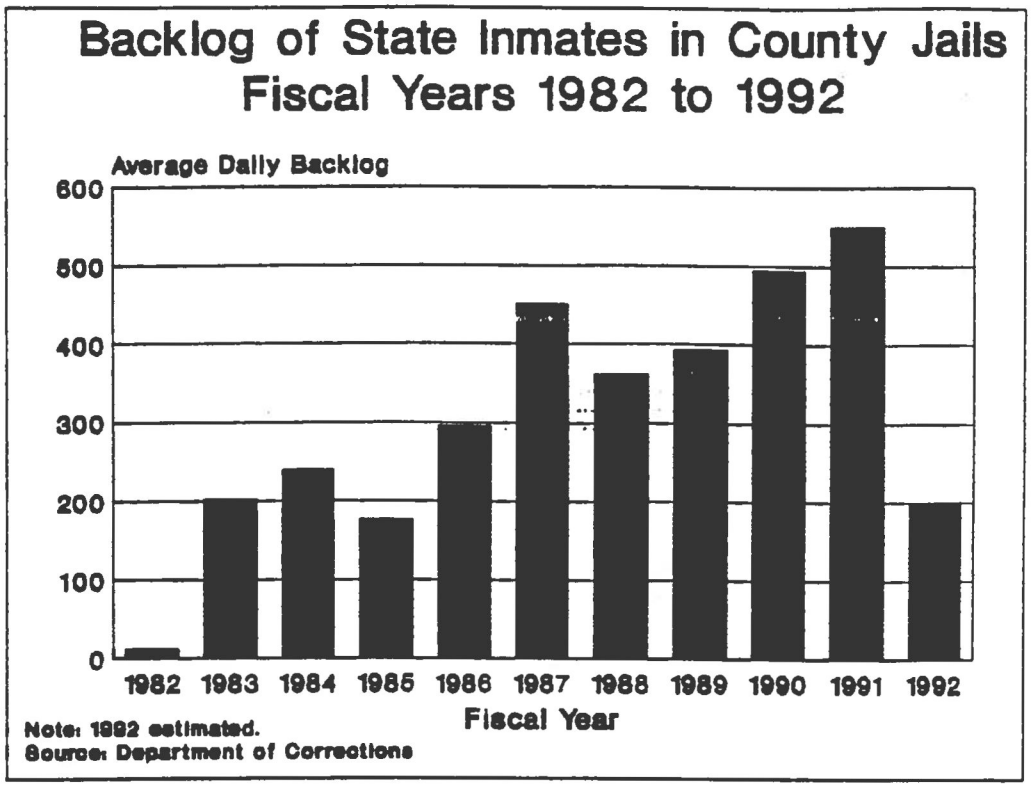
Background

As one part of Colorado's complex correctional system, the Department of Corrections has constant interaction with local corrections organizations. For example, the Department works with county jail officials throughout the State on a daily basis to move inmates from jails to state facilities. In addition, the Department interacts with community corrections organizations to place eligible inmates in community facilities.

State Inmates Are Backlogged in County Jails

Newly sentenced inmates are held in a county jail pending transfer to the Department of Corrections. Inmates who are not received by the State within 72 hours of sentencing are considered "backlogged." Since 1982, the Department has experienced an almost continual backlog of state inmates in the county jails.

The Department increased bed space between 1982 and 1991 by about 3,500 beds, or 132 percent, by opening new correctional facilities and expanding existing facilities. Despite these increases, capacity problems have inhibited the Department's ability to transport all prisoners from the counties in a timely manner. The chart below shows the jail backlog at year-end for Fiscal Years 1982 through 1992.



The Department Refers Inmates For Community Placement

Private organizations currently operate over 20 community correctional centers in Colorado. These centers house inmates who have been sentenced to community placement by the courts, as well as inmates who are making the transition from prison to release. The community corrections centers contract with the Department of Public Safety's Division of Criminal Justice and receive a per diem from the State for housing offenders. The community centers provide about 700 residential beds for offenders who are in transition from prison.

The Department of Corrections refers state inmates for placement in community corrections centers based on statutory criteria. Department of Corrections facility case managers prepare packets of inmate information which are forwarded to community centers and boards for review. The community boards and centers accept or reject referred inmates based on their own criteria. Neither the Department of Corrections nor the Department of Public Safety can place an inmate in a community correctional facility without the approval of the community board and/or center.

Audit Findings

We reviewed the Department's policies and processes for managing the jail backlog and for referring offenders for community placement. Areas in need of improvement include:

- Policies for reimbursing county jails for backlogged inmates.
- Communicating notification and billing policies for backlogged inmates to counties.
- Placing inmates in community corrections facilities in a timely manner.

State Inmates Are Held in County Jails Then Transferred to the Department of Corrections

The process used to move a state inmate from a county jail to the Department of Corrections is as follows:

1. After sentencing by the courts, the inmate is transported to a county jail.
2. The county jail receives the sentencing document, or mittimus, from the court.
3. A county sheriff or other jail official notifies the Department of Corrections that the jail is holding a state inmate. This notification can occur either before or after the jail has received the mittimus. However, the Department will not transfer an inmate until the jail has received the mittimus.
4. If space is not immediately available in Department of Corrections facilities, the Department adds the inmate's name to its backlog roster. This roster, along with information collected daily by Department of Corrections facilities, is used to determine when to accept inmates from county jails.
5. When the Department has available bed space, it instructs the county jail official to transport the inmate to the Department.

Statutes Mandate the State To Pay Counties for Confining State Inmates

According to statute, the Department of Corrections must reimburse county jails for holding state inmates beginning 72 hours after the inmate is sentenced. The

intent of the statute appears to be that the State will bear the costs of housing its inmates in county jails when delays occur in the removal of the inmates. This is a reasonable premise. However, there are factors which inhibit the Department's ability to remove inmates from county jails in a timely manner. In particular:

- In some counties, the jail does not receive the mittimus from the court in a timely manner. Since the Department will not remove an inmate unless the jail has received the mittimus, this causes a delay which the Department cannot control.

- Some counties may not notify the Department of Corrections about state inmates as soon as sentencing occurs. If the county has not notified the Department about state inmates in the jail, the Department cannot transfer the inmate to Department facilities.

- According to Department of Corrections statistics, Department facilities are operating, on average, at over 100 percent capacity. As a result, the Department is unable to transport all inmates as quickly as they are sentenced.

Reimbursement Requirements Do Not Consider Delays in Transferring State Inmates

We found the Department's inability to quickly move inmates leads to two basic problems. First, the Department typically complies with the statutory requirement to reimburse counties for holding state inmates beginning 72 hours after sentencing. This causes the Department to owe county jails for inmates it cannot move for reasons beyond its control. Specifically, the Department reimburses counties when it cannot move inmates because the mittimus has not been sent to the jail and when the Department has not been notified about inmates.

The Department reimbursed one county jail for holding backlogged inmates that the county had not notified the Department about.

We compared a sample of billings from three counties with the Department's backlog rosters and found that, in some cases, the Department was being billed for inmates about which it was not notified. For example, one county began billing the Department for ten inmates in March 1992 before it notified the Department about the inmates. As a result, the Department paid the county for holding the inmates for a total of 38 days during which it was not aware of the inmates in the county jail. The total billing for these inmates was $1,520 at $40 per day. If the Department had been notified of these inmates, and had been able to transfer them, the Department may have avoided these reimbursement costs.

Second, the Department has modified its policies and procedures, with regard to some counties, to avoid paying for inmates in the circumstances described above. Consequently, the Department is not complying with the statutes in some cases. This situation is described below.

The Department's Reimbursement Policy for Backlogged Inmates Is Applied Inconsistently Among Counties

The Department has developed a policy to reimburse counties that is in line with statutes. However, we found there were inconsistencies in how the Department applies its billing policy to different counties. We found that two counties bill the Department, and are reimbursed, beginning 72 hours after notification, not after sentencing.

If counties delay their notification to the Department and their billing for backlogged inmates, they incur costs for housing state prisoners for which they cannot be reimbursed. For example, one county we contacted held state inmates, on average, 15 days before receiving the mittimus, notifying the Department about the inmates, and beginning billing. Using preliminary billing records prepared by the county for Fiscal Year 1991, we found that the county calculated its reimbursement for newly sentenced prisoners at about $71,000. This bill was prepared using notification dates as a starting point for the billing period. If the bill had been calculated using the sentencing date instead, we estimate the reimbursement would be about $471,000.

The billing rate effective during our review was $40 a day per inmate. Beginning July 1, 1992, the $40 rate is no longer in effect, and counties will be reimbursed according to their individual audited costs. It is expected that the reimbursement rates for Fiscal Year 1993 will average about $11 a day per inmate. Regardless of the reimbursement rates, the Department should apply its policies consistently.

Reasons for Inconsistencies in the Billing Policy Are Not Clear

Department staff could not provide clear reasons to explain why two counties receive different treatment under the billing policy. The following explanations were provided for the inconsistency:

- Court orders stipulate different policies for these counties. Our review of the court orders in question did not produce clear evidence that the Department should treat either county differently for billing purposes. Furthermore, we found evidence of inconsistencies within one court order which may conflict with statutes.

- The policy was established informally between the Department and the counties. This explanation was not supported by the county officials we contacted. In addition, we were unable to locate any documentation of such agreements.

- Counties prepare bills based on their understanding of the policy, and the Department cannot compel them to bill correctly. Department staff stated they correspond periodically with county jail officials to communicate a standard billing policy. Additionally, the Department of Corrections does not believe it is responsible for verifying the accuracy of all bills submitted.

Statutes Do Not Address Backlog and Notification Issues

Currently, statutes mandate that the Department of Corrections reimburse county jails beginning 72 hours after sentencing, regardless of when the Department is notified about the inmates or the Department's ability to move the inmates. We believe it is appropriate for the Department to reimburse the counties for holding state inmates when difficulties on the part of the State prevent timely removal. Specifically, when the Department cannot move inmates from county jails because of the Department's crowding problems, the Department should reimburse the counties. However, the State should not bear the costs of the counties holding state inmates when the Department is unable to move the inmates for reasons over which the counties have some control. In particular, the State should not be required to reimburse the counties for state inmates that could not be moved because the sentencing documents were not available, or because the county did not notify the Department in a timely manner.

Since current statutes do not allow flexibility in applying reimbursement policies, we believe the Department should recommend changes which will allow billing and reimbursement based on policies which are equitable to both the State and counties.

Recommendation No. 4:

The Department of Corrections should improve its management of the backlog of state inmates by:

a. Recommending changes to the statutes to allow flexibility in reimbursing counties. The statutes should stipulate that the State reimburse the counties for holding state inmates when state considerations prevent timely removal, but not when county considerations prevent timely removal.

b. Developing and communicating a reimbursement policy that is based on the statutes.

c. Applying its billing policy in a uniform manner to all counties that house state inmates.

d. Establishing a process to ensure that it receives accurate, timely notification of state inmates being held in county jails.

Department of Corrections Response:

Partially agree. The Department must continue to clearly communicate its reimbursement and notification policy and procedures to the local jails. Based upon the procedures promulgated by the State Auditor's Office as a result of SB 91-221, the Department will draft new administrative regulations to clearly identify the process by which payments to local jails will be approved. Once written, these policies will be reviewed by the Attorney General's Office and, if necessary, that review may enable the Department to determine if legislation would be required.

Discrepancies Exist Between County and Department Records on Backlogged Inmates

A comparison between the Department's backlog rosters and records from a sample of three counties revealed several problems. Our review showed:

- Twenty-two of fifty inmates, or 44 percent, reported to the Department were absent from one county's billing records. This appears to be the result of poor record-keeping and database problems at the county level.

- An inmate was included on two billing lists from the same county, which could have resulted in a double billing of about $600, based on the number of days the inmate was held in the county jail.

When counties submit erroneous bills to the Department, it creates additional work for Department staff. The Department of Corrections has one staff member who is responsible for reviewing and approving county billings. When the bills contain errors, it takes additional resources to correct the bills and notify counties of the changes.

The Department of Corrections has the responsibility to develop and advise counties of the process they should follow when seeking reimbursement. Although the Department has provided instructions on inmate billing and movement, it is clear that counties have different understandings of the policies for notification, movement, and reimbursement. Consequently, we believe the Department should ensure that these policies are clear through additional communication with the counties.

Recommendation No. 5:

The Department of Corrections should:

a. Increase efforts to ensure that its policies for notification and reimbursement for backlogged prisoners are clearly communicated.

b. Consider providing training or other technical assistance to counties which submit problem billings.

Department of Corrections Response:

Agree. As stated in the response to Recommendation No. 4, the Department agrees that a clearly communicated backlog policy is imperative to maintaining a good working relationship with the local jails. Procedures developed by the State Auditor for billing purposes have been communicated to the counties, and departmental staff have been available to address questions from the sheriffs. The Department will review all billings by January 1, 1993, and, if necessary, schedule meetings with individual counties to clearly explain the process prior to the end of the fiscal year to ensure that the counties are accurately reporting the information that will ultimately be used to determine their reimbursement rate.

Inmates Are Not Always Placed in Community Corrections Centers as Early as Possible

55 percent of offenders whose files we reviewed could have been placed in community corrections centers earlier.

We reviewed a sample of 22 files of offenders who had been referred for community placement in Fiscal Year 1992. We found that 12 of the offenders, or 55 percent, were not placed in the community as early as they could have been, based on statutory criteria. On average, these offenders were placed in the community about two and one-half months late, with placement ranging from two weeks to ten months late.

According to statute, most offenders should be referred for placement in a community correctional facility for up to 16 months immediately prior to their parole eligibility dates. This applies to inmates who have exhibited acceptable institutional behavior, and who were not convicted of a violent crime as defined in Section 16-11-309 (2), C.R.S. Other offenders are to be referred for placement for up to 180 days immediately prior to the parole eligibility date.
A variety of factors can cause delays in placing inmates in community corrections centers. For example, referrals may not be prepared as early as they could be, the boards and centers reviewing the referrals may not process them quickly, and the community centers may not have beds immediately available upon acceptance of a referral. These and other factors are discussed in more detail later in the chapter.

Both Inmates and the State Benefit From Community Placements

Placement of inmates in community corrections facilities results in a variety of benefits. For example, the State realizes cost savings when inmates are placed in community corrections centers. According to Department statistics for Fiscal Year 1991, the average daily cost per inmate in Department facilities was about $50. We estimate the average daily cost per offender in a community corrections facility is about $36. Thus, for every day an inmate remains in a Department of Corrections facility when he or she could be in a community corrections facility, the State incurs an additional cost of about $14, on average. For the inmates whose files we reviewed, we identified 12 who remained in Department facilities for a total of almost 1,000 days when they could have been housed in community corrections facilities. Although we could not estimate specific costs that could

have been saved if these inmates had been placed in the community earlier, it is clear that there are cost implications of placing inmates in the community later than they could be.

Another benefit of community placement is that inmates are provided the opportunity for employment and assisted transition back into the community. Inmates who are employed pay income taxes and have an increased ability to pay victim restitution. Also, many community corrections officials believe that supervised release, such as through community placement, increases the overall chances of inmates making a successful transition out of prison. If eligible offenders are not placed in community corrections centers as early as they could be, these benefits are not fully realized.

Several Factors Impact Timely Community Placement

The number of Department of Corrections inmates that can be placed in community corrections facilities at any given time is affected by a number of factors, only some of which are managed by the Department of Corrections. The Department is responsible for referring inmates for placement, but does not control other elements of the community corrections system, such as funding the facilities. Specifically:

- The individual community corrections facilities control the number of beds existing and the criteria used for determining acceptance of inmates.
- The Division of Criminal Justice at the Department of Public Safety determines the number of beds for which contracts are established and the funding provided.
- The Department of Corrections regulates the number and frequency of inmate referrals.

Since the Department of Corrections is responsible for referring inmates for community placement, we focused our audit efforts in this area. We identified the following weaknesses in the community referral process:

- The Department does not begin referrals early enough to place inmates at the time they first become eligible.
- Inmates with disciplinary convictions may not be referred in a consistent manner.
- The parole eligibility dates used by case managers to determine when to refer an inmate for community placement are often outdated.

The Department Does Not Begin the Referral Process Early Enough

According to Department staff, there is an unwritten policy to begin the referral process about two months before the inmate can be placed. In other words, for a 16-month placement, the referral process would begin at about 18 months before the parole eligibility date; for a 6-month placement, the process would begin at about 8 months. This policy does not appear to allow sufficient time for all inmate referrals to be processed.

Based on our review of files, we estimate the average time from referral to placement is about 60 days. However, the referral process is slower for those offenders who are not accepted at the first center to which they are referred, and who are therefore referred to several centers before acceptance. We estimate those who are accepted after several referrals are placed, on average, 93 days after referral. Since only about one-quarter to one-third of referrals are accepted at their primary location, the remaining two-thirds to three-quarters who are referred to more than one center will not, on average, be placed until about three months after the process begins.

Many Offenders Are Referred After Their Earliest Possible Placement Date

For 27 percent of offenders whose files we reviewed, the referral process was not begun as early as it could have been.

We found that case managers do not always prepare and submit the referral packets to the Community Corrections Division as early as they could. Based on the review of offender files, we found 6 of 22 offenders, or 27 percent, whose referral packets were not prepared on time.

Department staff stated that the main problem with community placement is a lack of bed capacity. We recognize that the limited number of beds inhibits the Department's ability to place offenders. However, we believe that late referral and placement of inmates contributes to under-utilization of the beds that are available. Several of the community facilities we contacted said they are reluctant to accept offenders who will be placed for only a short period. The reason for their reluctance is that inmates whose stay in the community center is abbreviated due to late placement may not benefit from the experience as much as they could.

We reviewed Department of Corrections and Division of Criminal Justice statistics on daily bed occupation and availability in the community centers for six months between September 1991 and May 1992. Both sources indicated that on average, about 95 percent of the available beds were occupied. However, there were always some open beds during the period, ranging in number from 22 to 54.

Recommendation No. 6:

The Department of Corrections should improve its process for referring inmates for community placement. Changes in the process should include:

a. Establishing and implementing a policy to begin referrals more than two months prior to the inmates' eligible placement dates.

b. Developing and communicating formalized procedures for case managers to follow in referring inmates.

c. Monitoring referrals to ensure compliance with established procedures.

Department of Corrections Response:

Agree. DOC Administrative Regulation 250-3, Community Placement Referral Process, was signed by DOC Executive Director Frank O. Gunter on September 1, 1992. This document expands the processing time frames by three (3) months to assist in meeting the statutory referral dates. Additionally, this significant change will be updated in the Case Management Manual which is used as a guide by facility/center case managers. Correctional facility Operational Memoranda are now being developed to ensure appropriate implementation and timely referrals to community placement.

Monitoring will, by Administrative Regulation, be accomplished, first, by the Warden who is directly responsible for the facility/center's case management activities. Secondly, the Director of the Office of Offender Services will monitor the referral process. Further, the Director of the Division of Community Corrections, who has the ultimate responsibility of overseeing community placement, has an agreement with the Office of the Deputy Director for Operations to intercede if referral problems arise.

Referral of Inmates With Disciplinary Violations May Be Inconsistent

Based on our review of the Department's community referral process, we found offenders who have committed disciplinary violations may not be referred in a

consistent manner. We interviewed five case management supervisors at the Department and found that they did not agree on when to refer an inmate with Class I or II violations of the Code of Penal Discipline.

The Code of Penal Discipline governs inmate conduct in the correctional facilities. Class I violations include offenses such as murder and assault; Class II violations include offenses such as theft and bribery. According to the Community Corrections Division director, inmates who have committed Class I violations within 12 months of their referral should not be referred until 12 months after the violation. Inmates who have committed Class II violations of the Code should not be referred until 3 months after the violation. Therefore, an inmate who had a Class II violation one month prior to the referral date would not be referred until two months later, for a total of three months after the violation.

Most of the staff we contacted indicated that referrals occur in accordance with the referral policy described by the Community Corrections Division director. However, some staff stated that a Class I or II violation would cause the referral to be delayed to 6 months prior to the parole eligibility date. In other words, an inmate with such violations who would normally be referred for 16-month placement, would instead be referred for 6-month placement.

We reviewed the information in the regulations and case manager manuals, and believe the instructions on when to refer an inmate with disciplinary violations are unclear. If policies on referral are not clear, offenders may be referred either later or earlier than authorized by statute. If the referral and placement of offenders is delayed, the State will incur higher than necessary costs for continuing to hold the offender in prison rather than in a community center. This, in turn, will contribute to offenders remaining backlogged in county jails, and adds to the costs associated with the backlog. Finally, if offenders are not treated consistently, there is a risk of legal action, with its associated costs, from offenders who believe they have been treated unfairly.

Recommendation No. 7:

The Department of Corrections should clarify the policies for referring inmates with disciplinary violations for community placement and communicate the policies to all affected staff.

Department of Corrections Response:

Agree. DOC Administrative Regulation 250-3, Community Corrections Referral Process, was signed by DOC Executive Director Frank O. Gunter on September 1, 1992. This regulation specifically addresses the activity of Recommendation No. 7, by establishing referral guidelines for inmates who have been convicted of a Code of Penal Discipline violation while meeting other community referral criteria. Correctional facility Operational Memoranda are now being developed to accomplish appropriate and timely referrals to community placement in such cases, and the Case Management Manual is being updated to reflect these referral guidelines.

Parole Eligibility Dates Are Not Always Accurate

Statutes allow inmates to accrue earned time for demonstrated performance in certain areas during their incarceration. Inmates are allowed to accumulate a maximum of ten days of earned time for each month served. The earned time reduces the overall length of stay and affects both the projected parole and release dates.

Some inmates are referred for community placement based on outdated parole eligibility dates.

Case managers sometimes refer inmates for community placement based on outdated parole eligibility dates. We reviewed a sample of files of offenders who had been referred for community placement during Fiscal Year 1992, and found that, for six offenders, or 27 percent, the parole eligibility date listed on the referral form was not current. The following table compares the parole eligibility dates shown on the referral forms with dates we calculated using updated information.

Comparison of Parole Eligibility Dates (PED)
According to Time Reports and as Calculated by Auditor

Offender	PED per Referral Form	PED Calculated by Auditors	Difference in Months
A	03/02/93	12/29/92	2
B	12/11/92	11/11/91	13
C	03/29/93	11/29/92	4
D	08/05/93	05/05/93	3
E	10/13/92	09/03/92	1
F	08/11/93	05/26/93	2.5

Source: State Auditor's Office Analysis of Data Provided by the Department of Corrections.

Time Computation Reports Are Not Current

Case managers use official time computation reports to determine when inmates should be referred for community placement. We found the calculations of earned time and determinations of parole eligibility dates established through the time computation process are not kept current. Specifically:

- Time computation reports are typically generated only once every six months. Therefore, if a case manager is preparing a community referral form between the time computation periods, the report may be as much as six months out of date. For example, if a report was generated on 6/30/91 and the case manager is preparing a referral in December 1991, the report being used as a source for the parole eligibility date is almost six months old.

- The calculations of earned time and parole eligibility dates on the reports are not up to date. For example, a time computation report generated and dated 6/30/91 may have earned time accruals only through January 1991. None of the time computation reports we reviewed had time accruals that were current as of the date of the report. The accruals were between one and six months behind.

Time Computation Impacts Community Referrals

Referrals for community placement are based on parole eligibility dates determined by the Department. It is essential for timely community placement that the parole eligibility dates be determined accurately and based on up-to-date accruals of earned time. If the time computation reports are not kept current, and the parole eligibility dates are not completely up to date, it is likely that inmates will not be identified as eligible for community placement as soon as they should be.

Recommendation No. 8:

The Department should revise its policies and procedures for accruing earned time and determining parole eligibility dates. To ensure that offenders are identified for community placement on time, the Department should:

a. Calculate and accrue earned time, and adjust parole eligibility dates more frequently than every six months.

b. Revise the time computation reports to include the most recent time accruals and parole eligibility date calculations.

c. Increase oversight of the process used to identify inmates for community placement to ensure that accurate parole eligibility dates are used.

Department of Corrections Response:

Partially agree. C.R.S. 17-22.5-405(3), Earned Time, statutorily sets the time frames for earned time review: "Such review shall be conducted annually while such person is incarcerated and semiannually while such person is on parole and shall vest upon being granted."

The Department has regularly calculated earned time on a semiannual basis for both persons incarcerated and on parole. A recent update in the DOC computer system and program for sentence computation now enables projected updates to parole eligibility dates (PED). This is reflected each time a transaction occurs in the inmate's record which affects his/her PED.

The time computation reports have in the past and do now reflect the most recent, verified time accruals or losses, which in turn reflect accurate

parole eligibility date calculations. The new computer system also more rapidly and regularly generates time computation reports and PED projections so that all necessary information for inmate programming is readily available to a Case Manager reviewing the inmate's file and/or utilizing the computer system.

The Director of Information Systems, in conjunction with the Director of Offender Services, has developed advanced computer programming which automatically links changes in parole eligibility dates to the community placement referral list. This, coupled by the increased processing time, will provide an accurate referral list with sufficient time frames to meet the statutory referral dates.

CORRECTIONAL INDUSTRIES OPERATIONS

Chapter 3

Background

The Division of Correctional Industries is responsible for employing inmates in a variety of work programs. According to its annual report, the mission of the Division is:

- To employ as many inmates as possible in full-time work situations.
- To reduce inmate idleness by providing meaningful on-the-job training and instilling work ethics.
- To operate as a profit-oriented business.
- To develop joint ventures with the private sector.

Correctional Industries operates over 30 shops, with the capacity to employ over 1,000 inmates. Five of the shops, which together employ about 250 inmates, are joint ventures with private companies. Correctional Industries has an advisory committee which includes representatives from the Legislature, organized labor, private industry, and state government. Before the Division can establish any industry, the committee is to consider the feasibility of the industry and the effect on similar industries already established in the State.

One of the programs operated by the Correctional Industries Division is the State Agency for Surplus Property. The Division collects surplus property from state and federal agencies and sells or donates it to eligible donees. Eligible donees include government agencies and nonprofit organizations. The Surplus Property Agency had 7 FTE in Fiscal Year 1992, and employed, on average, about 10 to 12 inmates.

For Fiscal Year 1992, Correctional Industries had about 125 FTE and about $20 million in funding. The Division is primarily cash funded from operations, receiving less than five percent of its funding from the General Fund.

Audit Findings

We examined the Correctional Industries Division's operations. We found the Division is active in establishing new programs and creating inmate jobs. The number of programs has expanded from fewer than 20 in Fiscal Year 1986 to more than 30 in Fiscal Year 1992. Over the same time period, the number of inmate jobs has increased from about 350, which represented 10 percent of the inmate population in 1986, to over 1,000, which represents about 13 percent of the current inmate population. We also identified the following areas for improvement:

- State agencies have the ability to manage their property without the assistance of Correctional Industries' Surplus Property Agency. As a result, the Division uses some of its resources for a program that may not be necessary, and does not focus its efforts on activities that might be more beneficial to the State.

- Correctional Industries could improve its interaction with state agencies with regard to surplus property operations. Some state agencies do not have an awareness of all the functions of the Surplus Property Agency.

- The responsibilities of the Department's central business office and the Correctional Industries fiscal office are unclear. Consequently, some functions are duplicated while others are overlooked.

- Correctional Industries should allocate more central costs to its shops. Without a more complete distribution of common costs, it is difficult to determine the true profitability of the individual Correctional Industries shops.

- Correctional Industries' fiscal review process does not focus on correcting record-keeping procedures or reports. Since the process is not always used to investigate and correct errors, the time and effort staff spend involved in the process is not used as efficiently as possible.

- Correctional Industries has not developed program measures to evaluate its success in achieving some of its goals. As a result, the Division cannot assess its effectiveness in some areas.

- Correctional Industries could increase efforts to involve private industries in its programs. Since joint ventures with the private sector provide a number of benefits to prison industries, the Division should explore every option to expand its involvement in these types of programs.

State Agencies Manage Their Property Without Assistance From the State Surplus Property Program

Only about 25 percent of the state property collected by Surplus Property is sold to state agencies.

Correctional Industries operates programs to manage both state and federal surplus property. Currently, the two programs are operated in a combined manner as a single agency for surplus property. According to its manual, there are two basic goals of the surplus property program for state property. One is to maximize the State's investment in property. According to Correctional Industries' estimates, only about 25 percent of the state surplus property collected by the Division is sold to state agencies; the remaining 75 percent is sold to the general public and does not benefit state agencies. These percentages suggest that the state surplus property program is not essential in helping state agencies maximize their investment in property.

The second goal is to manage state surplus property for state agencies. It appears that state agencies are also able to achieve this goal without the assistance of the state surplus property program. According to Correctional Industries staff, many state agencies use their property to the fullest extent possible, and may transfer useful property among themselves, before turning it in as surplus property. In other words, by the time property is provided to the surplus property program, it is no longer of much use to state agencies. This notion is supported by the low percentage of state surplus property that is acquired by state agencies, as mentioned above.

In addition, Surplus Property does not appear to consistently operate at a profitable or break-even level. The table below shows the profits and losses for the combined state and federal surplus property programs according to the Department's official accounting records over five years.

COMBINED STATE AND FEDERAL
SURPLUS PROPERTY PROFITS FOR FIVE YEARS

	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992*
Revenues	$313,780	$571,823	$365,380	$511,493	$418,951
Expenditures	448,162	509,553	568,099	617,858	471,636
Operating Profits (Losses)	($134,382)	$62,270	($202,719)	($106,365)	($52,685)
General Funds	239,334	173,309	150,000	99,000	49,000
Overall Profits (Losses)	$104,952	235,579	($52,719)	($7,365)	($3,685)

* Information is for the first three quarters of Fiscal Year 1992.

Source: COFRS and CAS accounting records from the Department of Corrections.

Correctional Industries Does Not Know If the State Surplus Property Program Is Profitable

Correctional Industries does not have complete information on the financial status of the individual state and federal surplus property programs. The Division cannot currently determine if both programs are unprofitable, or if one program is generating earnings, while the other is incurring losses. This is because the Division did not allocate common costs to the state and federal surplus property programs for Fiscal Years 1990 and 1991, nor has an allocation been done for Fiscal Year 1992.

For the first three quarters of Fiscal Year 1992, Surplus Property had over $270,000 in costs which were not allocated to either the state or federal program. This is the bulk of the agency's expenditures. A proper allocation of these costs would allow the Division to identify unprofitable activities, and enhance the Division's ability to manage operations and make appropriate program decisions.

Resources May Not Be Focused on the Most Beneficial Functions

According to Correctional Industries staff, federal surplus property is usually more valuable and useful than state surplus property. State property tends to be used fully before being turned over to Surplus Property. Despite the relatively low value of the state surplus property, the agency estimates that about one-third of its staff time and warehouse space is used for handling state property.

Focusing efforts on obtaining more federal property would be a better use of resources.

In 1992 the federal General Services Administration conducted a review of Colorado's federal surplus property program. In its report, the General Services Administration stated that Colorado is underallocated for federal surplus property. This means the State obtains less federal property than it is eligible to receive. A General Services Administration official we contacted told us that Correctional Industries could do more to obtain federal surplus property, and that for the period May 1991 to May 1992, Colorado received only 56 percent of the federal property for which it was eligible. We believe it would be a better use of resources to focus efforts on obtaining federal rather than state surplus property.

Correctional Industries Should Consider Other Structures for Its Surplus Property Programs

Correctional Industries has considered some options to reduce operating losses in the surplus property programs. For example, the Division has discussed the possibility of hauling all state surplus property directly to an auction house to be sold. The Division also considered eliminating the state side of surplus operations. These alternatives were not implemented. However, the Division stated it has reduced staff in the surplus property area, and it implemented a fee for picking up property from state agencies.

We believe there are additional alternatives to the current structure for surplus operations which would conform to statutory requirements. For example, the Division could discontinue the actual handling of state property and act as a coordinator for surplus property. The Division could maintain an inventory listing and notify agencies of available surplus property. The Division could also assist agencies in disposing of property by providing information about salvage and disposal companies. Concurrent with a reduction in handling of state property, the Division could increase its efforts to obtain more federal surplus property.

Recommendation No. 9:

The Department of Corrections should consider changing the structure of the surplus property programs by:

a. Discontinuing the collection and redistribution of state surplus property.

b. Developing procedures to act as a coordinator for state agencies in disposal and transfer of state surplus property. This could include maintaining an inventory listing of state agencies' surplus property, providing information to state agencies about the inventory, and coordinating disposal efforts.

c. Increasing efforts to obtain usable federal surplus property.

Department of Corrections Response:

Agree. We, too, have questions about the wisdom of this agency continuing to collect state surplus property, which frequently has been of little use to any other agency. We will consider alternatives to our present collection, transport, and redistribution systems, and the possible acquisition of additional federal surplus property. This review will be accomplished by June 30, 1993.

Financial Records Do Not Clearly Show the Profitability of the Surplus Property Agency

One set of records shows that Surplus Property was making a profit, while another set shows the agency was incurring losses.

Surplus Property staff maintain internal records on revenue and expenditures, and central Department staff maintain accounting records on the Colorado Financial Reporting System (COFRS). We found the two sets of records do not agree. The Surplus Property records show about $70,000 in profits for the first three quarters of Fiscal Year 1992, while the COFRS records indicate a loss of almost $4,000 for the period.

Correctional Industries staff have determined some of the reasons for the differences between the internal records and COFRS. One difference is that the internal records include profits from the sale of specialty items, such as soap

products, which are warehoused by the agency but are not surplus property. These items are sold as part of other Correctional Industries operations, and the profits are not available for use by Surplus Property. The profits are properly recorded in COFRS as profits of the Division as a whole.

Since the Department's records on surplus property do not agree, we were unable to determine the true profitability of the agency. We believe the Department should collect information which will allow it to accurately determine the profit status of the Surplus Property Agency. The discussion for Recommendation No. 14, later in this chapter, addresses Correctional Industries' practice of maintaining program information on two separate systems.

Recommendation No. 10:

The Department of Corrections should collect and analyze information to determine the true profitability of the Surplus Property Agency. The analysis of profitability should consider only revenues from Surplus Property operations.

Department of Corrections Response:

Agree. We plan to operate the Surplus Property Agency without general fund support, and will analyze revenues and costs carefully to achieve that goal. We will complete this review and analysis by January 1, 1993.

Correctional Industries Could Improve Interaction With State Agencies Regarding Surplus Property

Agencies learn about the type of property available from Surplus Property primarily through fliers mailed by the Division, or by visiting the surplus property warehouse. We believe Correctional Industries could improve the effectiveness of its communication with state agencies regarding surplus property operations. Communication between the Division and state agencies is important to increase agency awareness of the services and property available through Surplus Property, and to elevate the Division's awareness of state agency needs. Even if the Division discontinues its handling of state surplus property, it is important for state agencies to be informed of federal surplus property that is available.

Currently, Surplus Property mails fliers describing the types of property available to all state agencies about every six to eight weeks. In addition, the agency maintains a list of property for which individual state agencies have identified a need. Division staff will contact the agencies when the listed property is obtained.

Agencies Do Not Have Consistent Information About Surplus Property

We contacted employees from seven state agencies to learn about their interaction with Surplus Property. We found the following:

- Three agencies stated they receive fliers less frequently than every six to eight weeks.
- Three agencies stated they did not know that Surplus Property maintains a list of property that agencies wish to obtain.
- One agency stated that Surplus Property does not contact it frequently enough to keep the property list updated.

We contacted an official from the federal General Services Administration who had conducted a review of Colorado's federal surplus property program. He stated that he believes Surplus Property is not adequately communicating with donees, and should take more initiative to identify and fulfill donee needs. A General Services Administration audit report recommended that Surplus Property evaluate its property list procedures to ensure that it is active in fulfilling the needs of eligible organizations.

We believe Surplus Property should increase its efforts to communicate with state agencies. Surplus Property staff believe a recent article published in the state agency newspaper was effective in increasing awareness of Surplus Property and resulted in additional business. If Surplus Property does not adequately communicate with agencies, the agencies may not be aware of the property available and may spend additional funds to purchase new equipment. In addition, Surplus Property may be unaware of agencies' needs and may not obtain property to meet those needs.

Efforts Should Be Made To Collect and Analyze Historical Data

Surplus Property does not compile information, such as the types of property various agencies obtain, which might be useful in managing operations. As a

result, Surplus Property may not be aware of trends, such as increasing needs for certain types of property, and may not identify opportunities or problems which should be addressed to fulfill its responsibilities.

Surplus Property staff stated that a new computerized inventory system is being developed for the agency. This system is intended to generate information that can be used to analyze the types of data described above. However, the planned system is not a part of COFRS. We believe the agency should consider using COFRS to meet its need for a computerized inventory.

Recommendation No. 11:

The Department of Corrections should establish a system to increase awareness of surplus property operations among state agencies. Specifically, the Department should:

a. Consider increasing communications with state agencies through additional media, such as state agency newsletters and computer networks.

b. Periodically request feedback from state agencies on surplus property operations, including the reasons agencies would not acquire excess equipment and supplies from Surplus Property.

c. Use the information collected to make decisions regarding surplus operations.

d. Investigate whether COFRS can be used to establish a computerized inventory of surplus property and generate useful summary information regarding the use of surplus property by state agencies.

Department of Corrections Response:

Agree. We will seek out additional communication media, request feedback from state agencies, and investigate whether COFRS could economically support a surplus property inventory system. This will be accomplished by June 30, 1993.

Responsibilities of the Central Business Office and the Correctional Industries Fiscal Office Are Unclear

The Department of Corrections has a central business office which is responsible for most accounting functions for all the divisions in the department. In addition, Correctional Industries has its own separate fiscal office which interfaces with the central business office and performs cash planning, forecasting, and fiscal review functions. We asked staff of both offices about their duties. They did not agree on which office is responsible for some functions, such as allocating Surplus Property costs to the programs and reviewing COFRS records to ensure their accuracy.

In 1982, the Department of Corrections consolidated all its independent business offices into the central business office in order to achieve cost efficiencies. The Department created one fiscal liaison position for each division to interface between the operating unit and the central business office. Because Correctional Industries is cash funded, the central business office employed one cost accountant in addition to the liaison specifically to meet Correctional Industries' unique accounting needs.

In Fiscal Year 1988, Correctional Industries created a cost accounting position within the Division. Since then, five FTE have been added to create an independent Correctional Industries fiscal office. Most of the accounting information which originates in the Correctional Industries shops is reviewed and approved through this fiscal office before going to the central business office for final approval and input to COFRS. The central business office is responsible for billing and collection of Correctional Industries customer accounts.

Inefficiencies Result From Unclear Roles

Some accounting functions are overlooked while others are duplicated.

Because the roles and responsibilities of the Department's two accounting offices are unclear, they do not operate efficiently. Some accounting functions are overlooked, and other functions are duplicated. For example:

- Staff from both the central business office and the Correctional Industries fiscal office are often involved in solving customer billing discrepancies. As a result, both offices maintain copies of all purchasing requisitions, receiving reports, and packing slips.

- Staff from both offices perform functions to collect bills.

- According to central business office staff, entries such as inventory adjustments, interagency sales, and coding error corrections are not made as often as necessary, resulting in inaccurate and outdated COFRS records.

- Some functions, such as the allocation of surplus property costs, are not being performed by either accounting office.

The Accounting Offices Could Improve Communications

The central business office and the Correctional Industries fiscal office are not communicating as effectively as they could. When the central business office makes adjustments to COFRS accounting records, it does not always notify Correctional Industries staff of the changes. In addition, the Department does not have written policies or procedures that define the specific duties of the central business office and the Correctional Industries fiscal office.

The central business office and the Correctional Industries fiscal office have identified the need for better coordination of duties. In January 1992, staff from both offices began weekly meetings to discuss problems and try to resolve them. According to Department staff, one inefficiency, dealing with the timely payment of vendors, has been substantially improved with the communications taking place at the meetings. We commend the Department on its efforts to improve the coordination of the accounting offices, and encourage the continuation of these efforts.

We believe the Correctional Industries fiscal office and the central business office should work jointly to formally evaluate and define their duties, including those related to maintaining COFRS records. We believe that clearly defining responsibilities would reduce duplication, increase efficiency, and help to ensure that all necessary accounting functions are performed.

Recommendation No. 12:

The Department of Corrections should clarify the responsibilities and functions of the central business office and the Correctional Industries fiscal office. This should include:

a. Evaluating the duties being performed by each office to identify unnecessary duplication of efforts, and functions which are not being performed. This evaluation should include a review of the accounting duties related to maintaining and updating COFRS information, and should consider the need for the separate Correctional Industries fiscal office.

b. Implementing changes based on the evaluation to clearly define and document the responsibilities of each office, and to eliminate unnecessary duplication of efforts and resources while ensuring that all duties are assigned.

c. Communicating the established responsibilities to the appropriate staff.

Department of Corrections Response:

Agree. This evaluation/reconciliation of duties in both offices will be completed and documented by January 1, 1993.

Correctional Industries Should Allocate More Central Costs to Its Shops

We reviewed the method Correctional Industries uses to determine the profitability of its shops and programs. We found Correctional Industries does not allocate all of its central costs to the programs. Specifically:

- The costs of the Correctional Industries director's office, fiscal office, marketing, and production administration functions are not allocated to the shops. About $1,743,500 was budgeted for these costs for Fiscal Year 1992.

- None of the operating costs in the Surplus Property Agency were distributed to the federal and state programs for Fiscal Years 1990 and 1991. These costs totalled about $331,000 for Fiscal Year 1991.

Lack of accurate profitability information inhibits the Division's ability to make informed management decisions.

As previously discussed with the surplus property programs, Correctional Industries cannot properly determine the financial status and profitability of programs and shops without distributing the common costs.

Although nonallocated costs may not be material overall, when allocated, they could significantly affect the profits of individual Correctional Industries shops. Lack of accurate profitability information inhibits the Division's ability to make informed management decisions. By allocating more of the Correctional Industries common costs, the Department would have a more accurate picture of shop profitability.

The Department Should Collect Information To Determine an Allocation Basis

Before costs can be allocated the Department needs to perform some analyses. For example, the Department expressed the need to perform a power-use study so that it can update the basis which is used to allocate utility costs to Correctional Industries shops. In addition, Correctional Industries staff do not have specific historical information to determine an appropriate allocation rate for other central costs.

The Department has recognized the value of allocating some costs. For example, Correctional Industries began allocating customer service costs to the shops in Fiscal Year 1991. In addition, central surplus property costs were allocated to the federal and state programs in the past. Correctional Industries is also considering the feasibility of allocating more of the common costs in the future. We believe the Department could improve its method of determining the profitability of Correctional Industries shops and programs by allocating more of the Division's common costs.

Recommendation No. 13:

The Department of Corrections should continue efforts to allocate more common costs in the Correctional Industries area. This should include:

a. Collecting and analyzing information to develop appropriate bases for allocating different types of common costs.

b. Establishing procedures to perform allocations regularly.

c. Re-evaluating and revising allocation procedures periodically.

Department of Corrections Response:

Agree. We will continue our efforts to allocate more of Correctional Industries' costs, and will document procedures for establishing, reevaluating, and revising those allocations and procedures by June 30, 1993.

Correctional Industries Fiscal Records Contain Discrepancies

Each Correctional Industries shop maintains its own accounting records and prepares monthly statements showing total revenues, expenditures by type, and profits. In Fiscal Year 1992, Correctional Industries began using a computerized system to maintain data on revenues for each shop. The State's official accounting system, COFRS, does not provide the capability for some activities such as tracking of materials throughout the manufacturing process. Correctional Industries staff believe this type of information is important for evaluating individual product lines and shops. Therefore, the Division uses its computer system as a management tool to maintain more detailed records than are available from COFRS.

Correctional Industries staff meet periodically to review the fiscal status of the shops. They compare COFRS records, the statements prepared by the shops, and revenue data from the Division's computer system. During the reviews, differences are often identified in both revenues and expenditures. The following variances in expenditures were noted during a review of one group of shops for the quarter ended March 31, 1992:

Comparison of Shop Records and COFRS
Quarter Ending 3/31/92

Shop	Type of Expense	Amount Per Shop Records	Amount Per COFRS	Difference	
A	Operating	$8,788	$6,497	$2,291	26%
B	Materials	$15,904	$2,160	$13,744	86%
C	Operating	$147,172	$88,500	$58,672	40%

Note: Data from Correctional Industries' computer system are not included here because the system does not maintain expenditure data.

Source: COFRS reports and Correctional Industries internal financial reports.

Correctional Industries staff do not routinely investigate and resolve all discrepancies among the records.

Although Correctional Industries staff usually consider COFRS figures to be correct for expenditures, and data from the computer system to be accurate for revenues, they believe both these sources are sometimes in error. However, they do not routinely investigate and resolve all discrepancies between the records. According to staff, differences considered to be significant are researched to identify problems and correct the records, but discrepancies which are not considered substantive are not always investigated and corrected. We believe this may be partially due to the lack of clear responsibilities and communication between the central business office and the Correctional Industries fiscal office, as previously discussed.

Fiscal Reviews Should Be Used To Correct Accounting Records

Correctional Industries does not use its fiscal review process as efficiently as it could. Although the process is used to identify variances among different sets of records, those records are not always corrected. The fiscal data reviewed are used to evaluate the shops and make decisions regarding operations. Thus, for appropriate decision making, the Division needs to ensure that the records are accurate. In addition, since COFRS records are considered the official accounting records, it is essential that they accurately represent the results of operations.

We believe Correctional Industries could improve its financial record-keeping and review process by putting a heavier emphasis on maintaining accurate, reliable, consistent fiscal data. Increasing efforts to investigate and correct discrepancies will improve the accuracy and reliability of records and also increase the efficiency of subsequent reviews.

Recommendation No. 14:

The Department of Corrections should continue to make improvements to its procedures for recording and evaluating the financial conditions of the Correctional Industries shops. Specifically, the Department should:

a. Emphasize the fiscal review process as a method to investigate and correct problems in the record-keeping systems.

b. Increase efforts to reconcile shop records and COFRS on a regular basis to ensure the accuracy of the official records and to determine the true financial status of the shops.

The tasks included in this recommendation should be evaluated and assigned to the appropriate accounting office with the other responsibilities in Recommendation No. 12.

Department of Corrections Response:

Agree. We will increase efforts to reconcile shop records and COFRS on a regular basis, and will utilize the fiscal review process as a method to identify problems. This will be accomplished by November 1, 1992.

Correctional Industries Lacks Objectives and Performance Measures for Some of Its Activities

Correctional Industries defines its mission in terms of four main goals. These are to employ as many inmates as possible, to provide on-the-job training for inmates, to operate as a profit-oriented business, and to develop joint ventures with the private sector. The Division has not developed specific objectives or performance measures to evaluate its success in achieving all these goals. Specifically, Correctional Industries has not:

- Developed specific, measurable objectives related to its goals of providing inmates with meaningful on-the-job training, or of developing joint ventures with the private sector.

- Identified performance indicators to evaluate its effectiveness in achieving these two goals.

The Office of State Planning and Budgeting provides a manual to agencies with instructions on developing program objectives and performance measures. The manual describes objectives as specific statements of measurable outcomes to be achieved, and performance measures as key indicators of program effectiveness. The manual indicates that performance measures should specifically relate to objectives, and states: "It is essential that some narrative be provided that explains how the selected measures demonstrate the extent to which program goals and objectives are achieved."

Correctional Industries Does Not Have a Method To Collect Data Related to All Its Goals

Currently, Correctional Industries does not collect information that will allow it to evaluate its goal of providing inmates with meaningful job training. Correctional Industries does not know whether the skills that inmates acquire through their work experience are useful to them after they are released from prison.

We contacted several states to determine how they evaluate their Correctional Industries programs. We found one state had developed a system to obtain some specific information about offenders after their release. This included data on whether the offenders became employed and what their starting salaries were after their release from prison.

We believe the Department could collect information which would be useful in evaluating whether inmates acquired usable work skills from their experience with Correctional Industries. The Department could compile data about the types of jobs inmates obtain while in community placement or on parole, and use it as an indicator of Correctional Industries' effectiveness in providing meaningful work skills and work ethics. We recognize that establishing direct correlations between experience in Correctional Industries programs and job success would not be possible. However, this type of information would provide some feedback to the Division and could be used along with other data for making decisions about Correctional Industries programs.

Recommendation No. 15:

The Department of Corrections should develop methods to evaluate Correctional Industries' success in achieving all its goals. The Department should:

a. Develop specific objectives and program measures to address Correctional Industries' goals of providing meaningful on-the-job training to inmates and developing joint ventures.

b. Develop and implement a system to collect information on inmates' job success during community placement and while on parole.

The Department should use the information collected through these efforts to identify and implement needed changes in Correctional Industries programs.

Department of Corrections Response:

Partially agree. The Department will develop objectives and program measures for Correctional Industries which address "on-the-job training" of inmates and the development of joint ventures. This will be accomplished by June 30, 1993.

The Department will, however, need additional general fund resources if it is to develop and implement community placement and parole work information and job success data for inmates. This is a research issue which does not directly advance the mission of Correctional Industries, and is contrary to their charge to be profit-oriented. While we agree that this is an interesting question, we believe that the Legislature should first appropriate funds to conduct this type of research. With appropriate general fund resources to develop and maintain a tracking system database, such research could be accomplished.

Correctional Industries Could Increase Efforts To Involve Private Industries in Its Programs

Correctional Industries has recognized the benefits of involving private industries in its programs. The Division currently has five joint venture programs with private companies. In 1990, Correctional Industries obtained certification from the federal government to enter into Prison Industry Enhancement programs. The certification allows prisoner-made goods to be sold in interstate commerce if certain requirements are met. The regulations include the following mandates:

- Inmates employed in Prison Industry Enhancement programs must be paid at a rate comparable to that paid for similar work in the area.
- Deductions from wages must be made for room and board, victim restitution, family support, and savings.
- Inmate workers may not be deprived of benefits that are available to other workers, such as worker's compensation insurance.

Although Correctional Industries has obtained certification, it has not yet established any Prison Industry Enhancement programs. The Division is attempting to resolve some difficulties in meeting all the federal requirements.

For example, Correctional Industries recently began working with the Division of Risk Management to determine how worker's compensation insurance can be provided to inmates.

A variety of benefits can be realized from working with private industry. These include:

- Reaching new markets for prisoner-made products and services.
- Increasing inmates' abilities to pay for room and board, victim restitution, family support, and state, local, and federal taxes.
- Providing advantages to inmates working in private industry programs in obtaining jobs with that employer after release.

We commend the Division for its achievements in establishing joint venture programs with private industries, and encourage Correctional Industries to continue to expand in this area. We believe the Division could raise awareness among private firms of the opportunities available through cooperative programs with Correctional Industries. The Division could increase efforts to recruit companies that would benefit from establishing programs with Correctional Industries. One method of recruitment would be to work with state and local economic development organizations to identify companies that would be good candidates for private/prison industry programs.

Recommendation No. 16:

The Department of Corrections should expand efforts to involve private firms in Correctional Industries programs. These efforts should include exploring the possibility of working with state and local economic development organizations to identify private firms that may be able to utilize inmate labor.

Department of Corrections Response:

Agree. We will contact local economic development organizations to identify additional ways we can relate to private sector firms and employ more inmates. This will be accomplished by April 1, 1993.

CLINICAL SERVICES OPERATIONS

Chapter 4

Background

The Department of Corrections' Office of Clinical Services is responsible for providing medical, mental health, optical, and dental services, as well as drug and alcohol, sex offender, and domestic violence treatment to inmates incarcerated in Department of Corrections facilities. The services provided to inmates vary among facilities. For example, all facilities have outpatient and emergency medical care, but only two facilities have inpatient medical services. The Office of Clinical Services had 178 FTE and about $12.5 million in funding in Fiscal Year 1992.

In response to the rising costs of health care, the Office of Clinical Services has made efforts to implement some cost-containment measures. For example, it established a committee to develop new policies to reduce the use of high cost drugs. The committee has created a formulary, which is a list of recommended drugs, to guide providers in prescribing drugs which are of comparable quality but are less expensive equivalents to what is normally prescribed. Clinical Services also contracts with a private company to review the medical necessity of hospital admissions and the appropriateness of the quality of care provided. As a result, Clinical Services can reduce unnecessary hospitalization and medical procedures. In addition, the Division is establishing uniform standards of care for all facilities. These standards will improve the Division's ability to manage providers and thereby reduce inconsistency in provider behavior. For example, without standards, the way a physician or physician extender delivers care for a standard procedure may vary from facility to facility.

Clinical Services is also responsible for testing and counseling inmates for HIV infection. The Office tests all inmates received through the Denver Reception and Diagnostic Center for HIV, and provides a variety of counseling and educational services.

Audit Findings

We evaluated the Office of Clinical Services' operations and identified the following areas for improvement:

- The Office should improve its central oversight of clinical services operations at the facilities. In particular, additional oversight is needed to ensure that the statutory requirement to charge inmates a three-dollar payment for unreferred medical visits is enforced, that all inmates and staff have access to adequate training on HIV and AIDS, and that inmates who have been returned from community placement are appropriately tested for HIV infection.

- The Office should improve its cost estimates for use in evaluating proposals to contract services. Inappropriate cost estimates may lead the Department to reject a contract proposal which would be cost-beneficial for the Department.

- The Office should continue efforts to identify and implement cost-containment measures.

Clinical Services Should Increase Oversight of Facilities

The Department of Corrections operates its facilities in a partially decentralized manner. For example, each facility has a superintendent who is responsible for day-to-day operations. However, some functions, such as the provision of clinical services, are also somewhat centralized. The Office of Clinical Services is responsible for coordinating the medical services provided at all the facilities. However, we found the Office does not closely monitor some of the medical functions performed by the facilities. In particular, we found the facilities follow different procedures in the following areas:

- Charging a mandated fee for certain types of medical services.

- Providing training to inmates and staff on HIV infection and AIDS.

- Providing HIV testing of inmates who are returned from community placement.

The Requirement To Charge for Some Medical Visits Is Not Uniformly Enforced

Statutes require that inmates be charged three dollars for each un-referred medical visit. In 1989 the Department developed a temporary policy which outlines various services for which inmates will and will not be charged. Specifically, the policy states that inmates will be charged for un-referred visits to physicians, dentists, optometrists, or psychiatrists. Since the policy was written, no regulation or operational memorandum has been established to formalize procedures for charging the fee. Additionally, Clinical Services does not appear to enforce this statutory requirement.

Facilities Are Inconsistent in Applying the Fee

We found there are discrepancies between the Department's written policy, which reflects the statutory requirements, and Clinical Services' practice, as described by staff. As a result, facilities are enforcing the three-dollar fee inconsistently. We contacted six facilities and found the following:

- Two facilities indicated their procedures are essentially in compliance with the policy, and that inmates are charged only if they request services that are beyond what is normally provided.

- Two facilities indicated that inmates are charged a one-time fee of three dollars for a course of dental treatment and for an eye examination.

- One facility indicated that inmates are charged the three-dollar fee for initial eye examinations and dental examinations and treatment. However, the facility does not charge indigent inmates a fee for any service.

- One facility indicated that inmates will be charged if they demand care above that of a nurse practitioner after the nurse has resolved their medical problems. This facility indicated that inmates are not charged at any other time.

Clinical Services Does Not Monitor Enforcement

Clinical Services staff told us they do not document the reasons that inmates are charged fees for medical services. Staff do record that the inmate is being assessed the fee, but do not specify if the inmate was charged for dental, optical, or other services. As a result, Clinical Services staff cannot adequately track and monitor the enforcement of the requirement and determine the effect of the fee.

We estimate that Clinical Services charged for only about 2 percent of medical visits.

According to Clinical Services records, the Department collected about $1,600 from the three-dollar fee for the first nine months of Fiscal Year 1992. We calculate this represents about 530 inmate visits, or about 59 visits per month. We also reviewed Clinical Services medical statistical reports for November 1991 through January 1992. These records indicate there was an average of over 2,400 inmate medical visits per month during that time. The Department does not track medical visits in a manner that distinguishes between referred and unreferred visits, so it was not possible to determine how many of the more than 2,400 average monthly visits were unreferred. However, since inmates were charged the three-dollar fee for only about 2 percent of the medical visits, we believe it is likely that fees are not being charged for some unreferred visits.

In addition, Clinical Services staff told us they do not believe the three-dollar fee is appropriate. They consider the fee to be a financial hardship to inmates because many inmates only earn $0.15 to $0.25 per hour.

Recommendation No. 17:

The Department should ensure that all facilities are complying with the statutory requirement to charge a three-dollar fee for unreferred medical visits. The Department should:

a. Formalize policies and procedures which reflect the statutory requirements and communicate them to all facilities.

b. Establish procedures to record when and why inmates are charged and utilize this information in determining compliance and impact of the statute.

c. Enforce compliance with the requirements through oversight and monitoring of the facilities' administration of the policies and procedures.

Department of Corrections Response:

Partially Agree. The narrative for this issue implies that charging for 2 percent of the medical visits may be low. While we agree that a number of charges may be missed, the potential for additional charges is not significant. We anticipate that charges for nonreferred medical visits will not exceed 3 percent to 5 percent of total visits. An Operation

Memorandum will be developed that will specify the procedures and fix responsibility for charging and recording a three-dollar fee on nonreferred medical visits.

Clinical Services Should Improve Oversight of Training for Staff and Inmates on HIV Infection and AIDS

Each individual correctional facility is responsible for HIV and AIDS training of staff and inmates. We found there is inconsistency in the training available to staff and inmates. For example:

- One facility does not provide training for staff or inmates on HIV infection and AIDS. This facility indicated that it depends on training provided to inmates when they are first admitted to the Department.

- One facility indicated that there is no training offered on HIV infection and AIDS to inmates. All staff are provided training twice a month on AIDS.

- One facility indicated that it does not offer training to inmates, but staff have the option of attending the training on HIV infection and AIDS which is provided monthly at another correctional facility.

Clinical Services has not developed a regulation or policy to specify what types of training will be offered, by whom, and how often. If the Office of Clinical Services does not oversee the training process, it cannot ensure that the necessary information is being conveyed, and that all staff and inmates have appropriate access to the information.

Training Provided May Not Include All the Elements It Should

The National Institute of Justice in an AIDS Bulletin entitled "AIDS and HIV Training and Education in Criminal Justice Agencies" recommended the following with regard to HIV and AIDS training for inmates and staff:

- Requiring information on AIDS and HIV infection to be included in both recruit and regular in-service training for inmates and staff.

- Ensuring that training is frequent, timely, and accurate.

- Providing individual counseling on the implications of being tested and of positive test results.

- Providing special counseling to pregnant female offenders and all women of childbearing age.

- Supplementing videotape or slide presentations with question-and-answer sessions.

We found the training the Department provides addresses some of the recommended elements, but not all. For example, the Department does provide individual pre- and post-test counseling, discussing the implications of testing. However, we also found:

- Although inmates who are diagnosed as HIV seropositive are provided brochures at intake and prior to release, HIV infection and AIDS pamphlets and brochures are not distributed continuously and not to all inmates.

- The Department does not require periodic training for all staff and inmates.

- The Department does not provide special counseling to pregnant female offenders and women of childbearing age.

- The Department does not always supplement videotape presentations with question-and-answer sessions.

Education Is Important To Affect Behavior Changes And Reduce Transmission of the Virus

Education and counseling are important as tools to affect behavior. If inmates do not fully understand HIV infection and how it is transmitted, they may not modify their behavior to reduce transmission. One outcome of transmission of HIV infection is increased medical expenses for managing a growing number of infected inmates.

According to Clinical Services, the average annual medical cost for an inmate who is not infected with HIV is about $1,625. Based on expenditure data provided by Clinical Services, we estimate the average annual medical cost for an HIV-infected inmate is about $6,162. Based on these estimates, it costs over three times more to care for HIV infected inmates, on average, than for noninfected inmates.

We believe it is important for adequate training to be available to staff and inmates in all facilities because education which promotes behavioral changes is the only known means of controlling the spread of HIV infection. Improving oversight of the training provided would ensure that inmates and staff are properly educated on HIV infection and AIDS.

Clinical Services staff indicate that cost has been a factor in determining how much and what kinds of training would be offered. However, we believe the Department can utilize existing resources and systems to improve its training on HIV infection and AIDS. For example, each inmate who is new to a facility is given a facility orientation. At that time, medical staff speak with the inmates, briefing them on the medical services provided. The Department could use this as an opportunity to discuss information on HIV infection and AIDS.

Recommendation No. 18:

The Division should develop and implement policies and procedures to ensure that all staff and inmates are receiving adequate training on HIV infection and AIDS. The Division should consider including in its training elements recommended by the National Institute of Justice, such as:

a. Requiring periodic training for staff and inmates on all communicable diseases.

b. Ensuring pamphlets and brochures are available continuously.

c. Providing regular discussion and question/answer sessions in its training programs.

Department of Corrections Response:

Partially agree.

1) Staff Training: The Department of Corrections Training Office is responsible for all staff training in regard to HIV Infection Control. Clinical Services reviews the curriculum (currently the curriculum used is that of the American Red Cross) and the training office implements the training through training officers located in each facility. The Red Cross Program is provided each new staff hired as part of basic training. Each facility has a certified "Red Cross" HIV instructor and courses are offered as a "Refresher" in each facility. At Colorado Territorial Correctional Facility, where HIV

infected inmates are main-streamed, the course is offered at least once every 1 to 2 months. In other facilities, it is less frequent. It is our contention that staff training is sufficient.

2) Inmate Training:

a. General Entry Training: Training on HIV Infection Control is provided to each inmate who enters the DOC. This includes a video tape and a "live" question and answer period. In the future this training will be expanded to include broader infection control issues (Hepatitis and Universal precautions). In our judgment the initial training offered is adequate.

b. Counseling HIV Infected Inmates: Those diagnosed as HIV seropositive are provided with special medical and mental health counseling. In addition, HIV seropositive inmates are main-streamed in designated facilities and are followed closely by medical staff who see them on a regular basis. It is our judgment that education, counseling, and medical follow-up to HIV seropositive inmates is adequate.

c. Periodic Training of All Inmates: We agree that this is not done consistently throughout the system. Our contention is that, given other priorities, it is not a high priority since:

1. All inmates are given training upon entry,
2. All inmates are screened upon entry,
3. All HIV seropositive inmates are main-streamed in select facilities, and
4. Not one case of transmission within our Correctional System has been substantiated.

d. Regarding cost implications of not educating all inmates, we contend we take substantial steps at cost avoidance through:

1. Educating all incoming inmates,
2. Screening upon admission,
3. Medical follow-up on all HIV seropositive inmates, and
4. Providing early intervention when required.

3) Policy on HIV Training: The current regulation on managing AIDS in the system is in process of review. A more clearly defined expectation for staff and inmate training will be included in this regulation.

Facilities Are Not Consistent in Conducting HIV Tests of Inmates Who Return From Community Placement

The Department has not developed policies and procedures specifically for the HIV testing of inmates who re-enter the correctional system after being placed in community corrections centers. In addition, it appears that the general policies and procedures outlined for HIV testing of inmates have not been clearly communicated to the clinical staff at each facility.

Some facilities provide HIV testing for all inmates returning from community placement, while other facilities test on a discretionary basis.

During the audit we found that the facilities do not follow the same procedures for HIV testing of inmates who are returned from community corrections centers. We contacted seven correctional facilities and found that the medical processing and testing of inmates for HIV infection varies. For example:

- Three facilities indicated that inmates are automatically tested for HIV infection after being returned from community placement.
- One facility indicated that inmates returned from community placement are not tested for HIV infection unless they are symptomatic.
- One facility indicated that inmates who have been out of the Department of Corrections longer than 90 days will automatically be tested for HIV infection and other communicable diseases.
- Two facilities stated that testing is discretionary, based on the medical history of the inmate.

Health officials believe it is important for individuals to know their HIV status for several reasons. First, counseling and treatment can be offered to infected individuals. Second, individuals who know they are infected have the ability to modify their behavior to reduce the risk of transmission to others. If the Department does not identify and inform infected inmates as they re-enter the system, inmates may not know of their status and may not have reason to modify behavior. Also, the Department may not be able to administer early treatment and defer the higher costs of treating an inmate with symptoms of AIDS.

Recommendation No. 19:

The Department of Corrections should standardize policies and procedures for HIV testing of inmates returning from community centers. The Department should communicate the policies and procedures to all correctional facilities, and monitor the facilities to ensure compliance.

Department of Corrections Response:

Agree. It is true that inconsistencies exist in the extent to which all returning inmates are retested for HIV infection. Specific directives regarding uniform HIV testing of all inmates returning from Community will be included in the revised regulation on AIDS' management: January 1, 1993.

Clinical Services Should Improve Cost Estimates Used in Evaluating Contract Proposals

In 1991 the Department opened the Denver Reception and Diagnostic Center. In an effort to limit medical costs, the Department requested and received proposals to contract clinical services for this facility. The Department performed an analysis comparing the costs in the proposals with the Department's own estimated cost to provide clinical services at the Diagnostic Center. The proposals were found to exceed the Department's estimated budgeted costs, and were rejected. However, we reviewed the information the Department used to evaluate the proposals, and found that the estimated cost for the Department to provide clinical services were understated.

The Department under-estimated costs for providing clinical services at the Diagnostic Facility.

The Department estimated its cost for providing clinical care at the Diagnostic Center to be about $1.36 million for Fiscal Year 1992. According to data provided by the Department, the actual clinical services cost for the Fiscal Year were about $2 million. Therefore, the Department underestimated the cost by about 45 percent.

Cost Estimates Do Not Appear To Be Supported

Clinical Services staff told us the estimated costs used for evaluating the proposals were based on the budget request for the Diagnostic Center for Fiscal Year 1992. However, the Department was unable to provide documentation to support the estimate, or explain how it was developed.

We recognize the difficulties of accurate cost projection, and we are not questioning the Department's decision to reject the proposals for contracting clinical services at the Diagnostic Center. However, when estimates are used for decision making, it is critical that they be as precise as possible. If the Department's process for calculating projected costs does not result in accurate estimates, the decisions made using such estimates may be affected. In other words, if inaccurate estimates are used to evaluate contract proposals, there is a risk that the Department would reject a proposal that would be cost beneficial, or accept a proposal when it is not actually cost effective to do so.

Recommendation No. 20:

The Department of Corrections should document the process and information used for developing cost estimates for use in evaluating contract proposals. In addition, the Department should ensure the process results in estimates that are as accurate as possible.

Department of Corrections Response:

Disagree. The Auditor's concerns regarding this issue are based on a memo to Mr. Gunter dated December 24, 1990, and subsequent expenditure figures that were requested from the Clinical Services Fiscal Liaison, Sheryl Sandefur. We do not agree with the conclusions reached and will demonstrate our reasoning.

Admittedly, estimating costs at DRDC was difficult due to the unanticipated fluctuation in the number of incoming inmates (DOC forced to take backlogged inmates) and beds were increased without additional funds. In any event, we understand that the auditor is not concerned that DOC spent more at DRDC than a private contractor bid, but that DOC simply underestimated expenditures for FY 92. The cost for services in FY 92 reported by Ms. Sandefur was $2,166,918 and the lowest bid was $2,996,208.

The estimated budget was based on the information available over one year before the Facility opened. In addition to the unanticipated increases in intake, the population also increased at DRDC. During the 1991-92 Fiscal year, 12 women were added to the unopened portion of the infirmary, 20 double-bunked beds were added (CH 3B) and more recently 100 additional double-bunked beds were added (CH 4 and CH 2B). Hence, 132 total beds were added to the predicted base and were not included in the base from which projections were made a year before DRDC was opened. We submit that given these considerations the DOC estimating process at DRDC was not outside the limits of acceptability.

Clinical Services Should Continue Efforts To Implement Cost-Containment Measures

Although Clinical Services has considered some cost-reduction measures, as noted above, we believe there are other areas the Division should consider for further cost-containment. In particular:

- Clinical Services should clarify and document guidelines which outline the limits of medical care to be provided to inmates. If the guidelines are not documented, facilities may not be consistent in providing services to inmates.

- Clinical Services should begin to plan for provision of health care for older inmates. Lack of planning could lead to unexpected and unmanageable health care costs in the future.

Clinical Services Should Document Guidelines for Medical Care To Be Offered to Inmates

According to Clinical Services staff, the Division has developed guidelines for the types of clinical services to be provided to inmates. In defining the types of services to be provided, the Division has identified and begun to implement several changes to appropriately limit services. These include establishing standards of care, transferring over-the-counter drugs to the canteen, and contracting with a private company to review hospital admissions, as discussed previously. However, Clinical Services has not documented its guidelines. Without formally documenting and communicating what services are provided and limited, the facilities may provide different levels of care.

Other States and the Governor's Task Force Emphasize Importance of Clinical Care Guidelines

We contacted several other states to determine how they define and limit the medical care they provide to inmates. We found two states are establishing service packages which describe the clinical services inmates will receive. Both states are developing their guidelines based on those used for Medicaid. In addition, in 1989 the Governor's Task Force on Productivity recommended that the Office of Clinical Services seek clarification from the courts on scope of services mandated, and then establish a medical services package within those parameters.

In 1989 the Department hired a private health planning consultant to recommend guidelines for the types of services Clinical Services would and would not provide. The consultant suggested that Clinical Services develop a benefit package which outlines the health care services available to inmates.

Clinical Services Should Consider Planning for Providing Medical Services to Older Inmates

Currently, older inmates represent only about four percent of the total inmate population. However, according to information presented at an annual American Correctional Health Service Association conference in 1992, the average medical cost per inmate aged 50 and over is three to four times the average medical cost for a younger inmate. Clinical Services staff told us they are aware of the increased costs of caring for older inmates. However, the Department has not begun planning efforts to address the more costly medical needs of an aging population.

Clinical Services staff have indicated that cost containment in a correctional system is a high priority. In 1990 the Division established a Quality Management Program to determine compliance with acceptable and current medical practice standards and to ensure that resources are utilized efficiently. We believe this program could be used as a vehicle to continue to identify areas for cost containment. In addition, the Division already has implemented some strategies to contain costs. We commend the Department for its efforts thus far in limiting health care costs. We encourage the Department to continue exploration and implementation of cost-containment measures to eliminate unnecessary spending on health services.

Recommendation No. 21:

The Department should continue and expand efforts to identify and implement cost-containment measures in the Clinical Services area. These efforts should include:

a. Documenting and communicating its guidelines which describe and list the level of care to be provided.

b. Developing a plan to address the clinical services needs of older inmates which will help the Department manage the higher health care costs of these inmates.

c. Utilizing the Quality Management Program to continue to identify areas for cost containment.

Department of Corrections Response:

Agree.

1) Standards of Care: Considerable efforts are currently expended toward the goals of cost containment. For example, since hospitalization and pharmacy costs are large expenditure areas, efforts to control hospital and pharmacy costs have been launched this past year. An additional area of cost containment will be the development of a medical data system, that will be undertaken jointly with the Health Sciences Center this year. This systemwide data system will enable better centralized and localized tracking and control of expenditures. A "Scope of Medical Services" regulation is in place as are "Standards of Care." This fiscal year attention will be given to updating these standards.

2) Older Inmates: Among other cost containment priorities this is not deemed to be crucial at this time. However, a Strategic Plan for dealing with aging inmates will be pursued.

Finally, it must be pointed out that medical costs are inflating at 10 to 12 percent per year. It will be impossible to continue managing health care costs without increasing appropriations to reflect increases in the cost of doing business.

Appendix

New Court Admissions By Type of Crime
Fiscal Years 1987, 1989, 1990, 1991

OFFENSES	FY 1986-87	Percent of Total	FY 1988-89	Percent of Total	FY 1989-90	Percent of Total	FY 1990-91	Percent of Total	Percent Change FY 86-87 to FY 90-91
VIOLENT:									
First Degree Murder	24	1.04.%	28	1.01%	24	0.84%	24	0.82%	0.00%
Second Degree Murder	42	1.82%	34	1.23%	25	0.88%	26	0.88%	-38.10%
Manslaughter	27	1.17%	20	0.72%	15	0.53%	22	0.75%	-18.52%
Vehicular Homicide	21	0.91%	21	0.76%	23	0.81%	22	0.75%	4.76%
Negligent Homicide	3	0.13%	8	0.29%	4	0.14%	8	0.27%	166.67%
Aggravated Robbery	93	4.04%	75	2.72%	83	2.92%	70	2.38%	-24.73%
Simple Robbery	60	2.61%	66	2.39%	57	2.00%	56	1.90%	-6.67%
Kidnapping	28	1.22%	23	0.83%	28	0.98%	15	0.51%	-46.43%
Assaults	82	3.56%	123	4.46%	126	4.43%	156	5.30%	90.24%
Sexual Assault	167	7.25%	161	5.84%	164	5.76%	168	5.71%	0.60%
Att/Consp/Acc	116	5.04%	136	4.93%	110	3.87%	129	4.39%	11.21%
Vehicular Assault	16	0.70%	18	0.65%	21	0.74%	15	0.51%	-6.25%
Menacing	63	2.74%	66	2.39%	75	2.64%	94	3.20%	49.21%
Arson	6	0.26%	13	0.47%	15	0.53%	12	0.41%	100.00%
Weapons/Explosives	14	0.61%	13	0.47%	17	0.60%	20	0.68%	42.86%
Child Abuse	8	0.35%	13	0.47%	10	0.35%	18	0.61%	125.00%
Extortion	3	0.13%	0	0.00%	0	0.00%	0	0.00%	-100.00%
Sex Offender Act	1	0.04%	1	0.04%	0	0.00%	3	0.10%	200.00%
SUBTOTAL VIOLENT	774	33.62%	819	29.68%	797	28.01%	858	29.17%	10.85%
NON-VIOLENT:									
Burglary	334	14.51%	340	12.32%	318	11.18%	285	9.69%	-14.67%
Trespassing	100	4.34%	157	5.69%	141	4.96%	132	4.49%	32.00%
Theft	263	11.42%	214	7.76%	215	7.56%	291	9.89%	10.65%
Att/Consp/Acc to NVC	325	14.12%	373	13.52%	410	14.41%	398	13.53%	22.46%
MV Theft	46	2.00%	40	1.45%	49	1.72%	68	2.31%	47.83%
Forgery	96	4.17%	157	5.69%	130	4.57%	126	4.28%	31.25%
Fraud/Embezzlement	38	1.65%	43	1.56%	49	1.72%	33	1.12%	-13.16%
Vandalism/Crim.Mischief	10	0.43%	21	0.76%	20	0.70%	23	0.78%	130.00%
Drug Abuse	182	7.91%	384	13.92%	479	16.84%	482	16.39%	164.84%
Courts/Corrections	4	0.17%	3	0.11%	13	0.46%	11	0.37%	175.00%
Family Crimes	17	0.74%	16	0.58%	26	0.91%	32	1.09%	88.24%
Traffic	41	1.78%	85	3.08%	87	3.06%	91	3.09%	121.95%
Escape/Contraband	45	1.95%	61	2.21%	69	2.43%	76	2.58%	68.89%
Habitual	25	1.09%	32	1.16%	26	0.91%	25	0.85%	0.00%
Miscellaneous	2	0.09%	14	0.51%	16	0.56%	10	0.34%	400.00%
SUBTOTAL NON-VIOLENT	1528	66.38%	1940	70.32%	2048	71.99%	2083	70.83%	36.32%
TOTAL	2302	100.00%	2759	100.00%	2845	100.00%	2941	100.00%	27.76%

Source: Department of Corrections Statistical Reports. Data for Fiscal Year 1988 was not available.

COMPARISON OF INMATE POPULATION MOST SERIOUS OFFENSES
JUNE 30, 1989 VERSUS JUNE 30, 1991

	- - - - - June 30, 1989 - - - - -		- - - - - - June 30, 1991 - - - - - - -		
OFFENSES	TOTAL	% OF TOTAL	TOTAL	% OF TOTAL	% CHANGE
VIOLENT:					
1st Degree Murder	251	4.2%	291	3.9%	15.9%
2nd Degree Murder	213	3.5%	246	3.3%	15.5%
Manslaughter	52	0.9%	66	0.9%	26.9%
Vehicular Homicide	35	0.6%	51	0.7%	45.7%
Other Homicide	14	0.2%	9	0.1%	N/A
Aggravated Robbery	300	5.0%	416	5.6%	38.7%
Simple Robbery	148	2.5%	210	2.8%	41.9%
Kidnapping	52	0.9%	126	1.7%	142.3%
Assault	282	4.7%	401	5.4%	42.2%
Sexual Assault	542	9.0%	799	10.7%	47.4%
Vehicular Assault	21	0.3%	26	0.3%	23.8%
Menacing	120	2.0%	141	1.9%	17.5%
Arson	14	0.2%	21	0.3%	50.0%
Weapons/Explosives	41	0.7%	33	0.4%	-19.5%
Child Abuse	34	0.6%	49	0.7%	44.1%
Extortion	6	0.1%	0	0.0%	-100.0%
SUBTOTAL	2,125	35.2%	2,885	38.7%	35.8%
NON-VIOLENT					
Burglary	615	10.2%	983	13.2%	59.8%
Trespassing	229	3.8%	235	3.1%	2.6%
Theft	349	5.8%	598	8.0%	71.3%
MV Theft	63	1.0%	146	2.0%	131.7%
Forgery	209	3.5%	228	3.1%	9.1%
Fraud	44	0.7%	57	0.8%	29.5%
Vandalism	16	0.3%	39	0.5%	143.8%
Drug Abuse	474	7.9%	802	10.7%	69.2%
Family Crimes	25	0.4%	50	0.7%	100.0%
Traffic	71	1.2%	86	1.2%	21.1%
Escape	341	5.7%	200	2.7%	-41.3%
SUBTOTAL	2,436	40.4%	3,424	45.9%	40.6%
Att/Consp/Acc	1,045	17.3%	805	10.8%	-23.0%
Habitual	93	1.5%	230	3.1%	147.3%
Other/Unknown	330	5.5%	120	1.6%	-63.6%
TOTAL	6,029 *	100.0%	7,464 *	100.0%	23.8%

* Number of Jurisdictional Population with available data.

Source: Department of Corrections Statistical Report for Fiscal Year 1990 - 91.

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Report Number 12111

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