

PERFORMANCE AUDIT

OKLAHOMA DEPARTMENT OF CORRECTIONS

For the period July 1, 2007 through June 30, 2013



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**Oklahoma Department of Corrections
Audit Report**

**For the Period
July 1, 2007 through June 30, 2013**



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

July 29, 2014

TO GOVERNOR FALLIN AND THE CITIZENS OF OKLAHOMA:

At the Governor's request, our office has undertaken a performance audit of the Oklahoma Department of Corrections (DOC). In conducting this assessment, we first drew a distinction between those factors management can control and those they cannot. Laws delineating criminal behavior and establishing sentencing guidelines affect the inflow of individuals to DOC custody, as do law enforcement decisions to prosecute and judicial discretion in sentencing. DOC management has little control over the number of offenders entering the prison system. Similarly, as DOC operations depend almost exclusively on legislative appropriations, management does not ultimately control the level of state funding.

Given these factors, our audit distinctly focuses on management tools and resources in the areas of governance, financial management, and capacity management that DOC can employ to potentially realize efficiencies and improve overall effectiveness, while at the same time promoting the public's safety. Notable audit recommendations involve providing DOC board members with additional financial information in order to afford a more comprehensive assessment of the agency's financial status; centralizing food purchasing in order to comply with state statute; performing an in-depth staffing analysis to optimize costly staff resources; and tackling deficiencies in the offender management software by developing strategies to upgrade the system and to provide technical support toward more effective inmate management.

Our recommendations can go only so far toward addressing the serious and urgent correctional issues facing our state. Proponents of "tough-on-crime" and policy makers advocating rigorous sentencing laws must act responsibly and commit sufficient financial resources to fund the infrastructure, operations, and specialized programs needed to accommodate the resultant expansion of a demographically demanding inmate population, or find ways in which to be smart on crime, keeping in mind the ever increasing cost to Oklahoma taxpayers.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

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David C. Henneke May 2005 – March 2011
Jerry Smith May 2007 – April 2010
Ernest Godlove May 2003 – March 2009

**INTRODUCTION
AND AGENCY
BACKGROUND**

Pursuant to the request of the Governor and in accordance with 74 O.S. § 213.2.B, we conducted a performance audit of the Oklahoma Department of Corrections (DOC, or the Department) for the period July 1, 2007 through June 30, 2013.

The history of the Department of Corrections dates back to almost statehood, with the recommendation of Commissioner of Charities and Corrections, Kate Barnard, to remove Oklahoma offenders from Kansas state prisons, and the subsequent construction of the Oklahoma State Penitentiary in McAlester, Oklahoma, in 1909. Construction of the Oklahoma State Reformatory in Granite followed, and additional facilities were either built or modified for incarceration, for a total of 17 adult correctional centers and 21 community corrections and work centers operated by DOC as of April, 2014. The department also contracts with private companies for bed space at private prisons and halfway houses.

The Oklahoma Corrections Act of 1967 established both the Department of Corrections and the Board of Corrections (the Board). According to the agency's website, the mission of the Department is "to protect the public, to protect the employee, and to protect the offender," while the mission statement of the Board is "we are a select group of Governor appointed, politically diverse volunteers, which educates, directs, advocates and holds accountable stakeholders to effect best correctional practices." Both entities confront significant risks in fulfilling their missions and duties simply because of the nature of the population they primarily serve: felony offenders.

By virtue of their incarceration, society has judged these offenders as posing risks to the health and safety of the rest of the population. DOC's ability to manage these risks depends on both external and internal factors; external influences, such as the Legislative and Judicial branches, determine the DOC population by creating laws outlining criminal behavior and sentencing individuals who defy these laws to DOC custody. Internal factors, or those over which DOC retains control, include policies, practices, and procedures which are governed by the DOC Board and executive management. Though our report directly speaks to the latter in an effort to provide meaningful recommendations to the agency, recognizing factors over which the agency does not have control may put these recommendations in context.

The incoming and outgoing offender population represents a challenge for DOC. The agency has no control over the crimes committed, number of individuals sentenced, or the educational, medical, or programmatic needs of incarcerated individuals. Neither the state statutes nor the judges are required to consider DOC's ability to receive additional prisoners through available capacity, or the agency's ability to address the multitude of offender needs. Moreover, prosecution rates and use of sentencing alternatives (such as drug courts or community sentencing) vary from county to county. Likewise, the outgoing

offender population can also create logjams; some offenders are not released until sentence completion, while others can be recommended to the Pardon and Parole Board, but their release is contingent on the Board’s approval. Yet, DOC must consider all those factors into its management of the offender population.

The agency’s ability to receive and manage those sentenced to its custody has also become more complicated over time, with the addition of crimes to state statutes and the requirement for certain offenders to serve a portion of their sentence before being eligible for parole. Longer stays in prison, without a corresponding reduction in incoming offenders coupled with limited increases in capacity, result in dwindling bed space and greater demands for existing financial resources.

Efforts to address these challenges through judicial reform have been made within the last ten years. The Justice Reinvestment Initiative (JRI) represented one of the most notable collaborations, with initial legislation designed to make the criminal justice system more efficient and cost-effective¹, and formation of a bipartisan working group of 19 individuals to analyze data and develop policy recommendations with the goal of enhancing public safety, strengthening offender supervision, and containing prison costs.²

Initial legislation, HB 2131 (2011), expanded electronic monitoring and community sentencing eligibility.³ HB 3052 (2012) furthered the reform effort by attempting to redirect nonviolent offenders away from prison through sentencing alternatives and other methods.⁴ This measure established new grant programs to assist local law enforcement in implementing data-driven violence reduction strategies, provided for a pre-sentence risk and needs screening process, mandated supervision for all adult offenders released from prison, and provided for new responses to supervision violations.⁵

The JRI estimated \$110 million in expenditures on corrections reforms between FY 2013 and FY 2021 would achieve long-term savings of \$249 million that would otherwise have been required to accommodate prison population growth.⁶ Legislative appropriations documents show that in FY 2013, \$1 million was appropriated to the DOC for additional probation and parole officers, \$2 million was appropriated to the Attorney General for violent crime reduction grants, and \$667,000 was appropriated to the Oklahoma Department of Mental Health and Substance Abuse Services for pre-sentence risk assessments and

¹ JRI Oklahoma website, <http://jrioklahoma.com>.

² Justice Reinvestment in Oklahoma: Analysis and Policy Framework, http://jrioklahoma.com/wp-content/uploads/2012/01/JR_OK_Analysis_Policy_Framework1.pdf.

³ 2011 O.S.L. 218, <http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=462208>.

⁴ Adcock, Clifton. “How Actions by Governor’s Staff Led to Weakened State Justice Reforms.” *Oklahoma Watch* 27 December 2013. <http://oklahomawatch.org/2013/12/27/exclusive-the-struggles-over-oklahomas-justice-reform-initiative>.

⁵ 2012 O.S.L. 228, <http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=465618>.

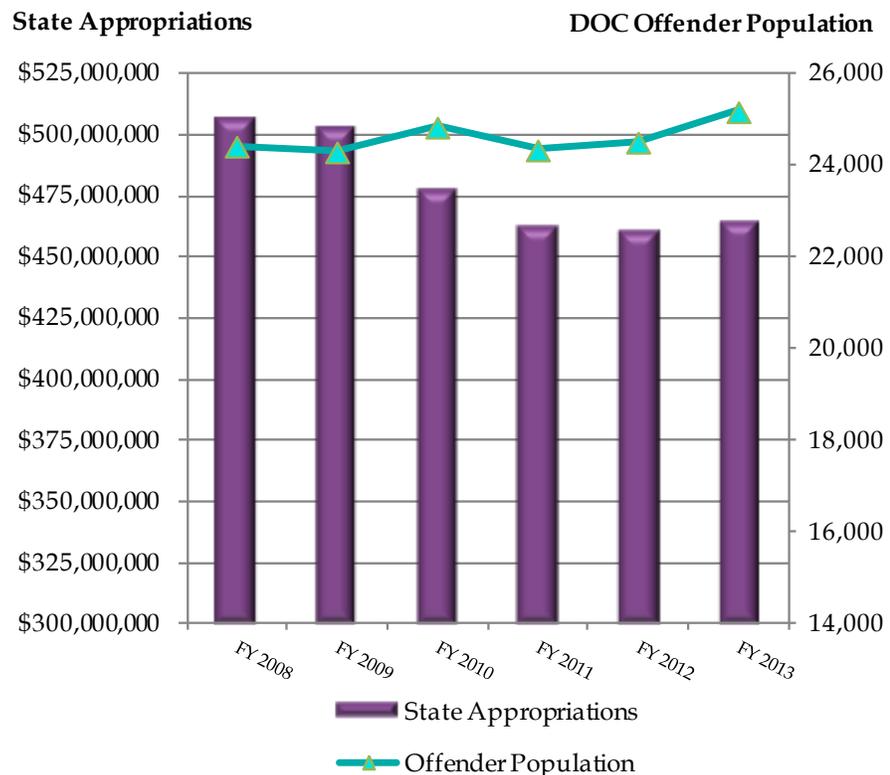
⁶ Justice Reinvestment in Oklahoma: Analysis and Policy Framework.

needs screenings.⁷ Documents do not show that any appropriations were made for JRI initiatives in FY 2014.

Documents provided by DOC show that by fiscal year 2021, the JRI was estimated to avert more than 2,100 offenders from DOC custody annually. Assuming no change in the cost of incarceration between FY 2013 and FY 2021, this represents a savings of \$98,532 per day and more than \$36.8 million per year.⁸ The current status of the initiative is unknown, as the bipartisan working group disbanded after both co-chairs resigned in March 2013.

While the number of offenders in DOC custody has continued to rise, appropriations to DOC have decreased from FY 2008 to FY 2013, with fluctuations during the audit period. The following chart illustrates state appropriation levels and the offender population:

**Total State Appropriations and the Offender Population,
 FY 2008 through FY 2013**



Source: Department of Corrections Combining Trial Balance Reports and unaudited Facility Count Reports

⁷ Oklahoma State Legislature Fiscal Documents, <http://www.okhouse.gov/Publications/FiscalDocuments.aspx>.

⁸ According to DOC, the actual cost of incarceration in FY 2013 averaged \$48.02 per day for all facility types. \$48.02 per day x 2,100 individuals = \$100,842 per day; \$100,842 x 365 days = \$36,807,330 annually.

State appropriations to DOC decreased from \$506,607,931 in FY 2008 to \$463,731,068 in FY 2013; in terms of appropriated dollars per offender, this equates to a decrease from \$20,735 per offender per year in FY 2008 to \$18,412 in FY 2013, or a drop of 11.2 percent. The FY 2013 appropriation totals \$84 million less than the FY 2008 appropriation when the 2008 appropriation is adjusted for inflation.⁹ DOC has made reductions in a number of areas (such as offender programs and DOC personnel), and considered reorganizations to enhance efficiencies. Facility staff and board members alike appear to believe that total funding levels are inadequate.

If population growth trends continue, DOC likely will see a continued rise in offenders sentenced to agency custody. The extent to which the agency can accommodate population growth might depend on the agency's ability to manage existing resources, contract bed space in private facilities and county jails, expand bed space at state facilities, and secure more appropriations not only to accommodate additional offenders, but to meet the increased costs of existing offenders. Despite the great number of factors DOC cannot control, the agency and the Board retain control over a number of factors, some of which play a vital role in managing the offender population. Through our procedures, we identified three main areas of risk: DOC governance, financial management, and capacity management. Within each area of risk is an examination of individual conditions, the causes and effects of these conditions, and recommended actions for the agency and Board to effect improvement. Though DOC appears to be somewhat limited in its ability to address some needs due to a lack of funding, not all of the recommendations herein require additional appropriations.

This audit focuses on the factors over which DOC has control, with the goal of assisting the agency in identifying inefficiencies, exploring possible improvements, and providing DOC with useful mechanisms toward achieving the agency's mission.

⁹ Bureau of Labor Statistics, Inflation Calculator (based on consumer price index): http://www.bls.gov/data/inflation_calculator.htm.

**SCOPE AND
METHODOLOGY**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objective.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. §24.A.1 et seq.), and shall be open to any person for inspection and copying.

In her audit request, the Governor mentioned the recent retirement of DOC's executive director, and the need for a systematic and independent evaluation of organizational activities for an orderly transition to new leadership. The scope of the request was broad and included a review of the efficiency and effectiveness of management and agency oversight, reasonableness and statutory compliance of expenditures, a review of a prior audit (2007 MGT of America audit) and its recommendations, and an assessment as to whether the current organizational structure is in the best interest of the taxpayers of the state. The broad scope of the request was subsequently reflected in the audit engagement letter, with our objective "to evaluate certain aspects of DOC's operations in relation to its mission."

Our planning process included visiting numerous correctional facilities across the state, interviewing facility staff, agency management staff, third parties, and members of the Board of Corrections, and reviewing and analyzing agency policies and procedures, data provided by the agency, and financial information obtained through the state's accounting system, PeopleSoft. We conducted a preliminary risk assessment and determined there were three areas of risk that warranted additional research: governance, financial management, and capacity management. Within each of these areas, we identified significant risks as those with potentially the greatest impact on the agency mission, and performed procedures to address each risk. We identified and addressed findings from the prior audit that were significant to our objective. We researched significant laws and regulations and best practices, and surveyed other states as needed.

We also tested a sample in order to perform audit procedures. To ensure this sample was representative of the population and provided sufficient evidential matter, the random sample methodology was used. We identified specific attributes for testing each of the samples.

Data comparisons contained herein generally span the audit period of fiscal years 2008 through 2013. However, due to issues with the state-wide accounting system, additional data was incorporated in order to validate expenditure data for fiscal year 2009, resulting in expenditure figures for that fiscal year not being

comparable to the other audit period years. Therefore expenditure comparisons represent fiscal years 2010 through 2013.

Some data comparisons provided by the agency may have been compiled from the Offender Management System (DOC's offender management software). Due to the deficiencies of this system, data provided may not be accurate and is used only for illustrative purposes.

OBJECTIVE

TO EVALUATE CERTAIN ASPECTS OF THE DEPARTMENT OF CORRECTIONS (DOC)'S OPERATIONS IN RELATION TO ITS MISSION.

As discussed earlier, in order to evaluate the Department we performed extensive procedures to familiarize ourselves with its operations, identified high risk areas, and then developed individual procedures within each area of focus. The results of these procedures are expressed in the conclusion for each focus area throughout this report. We have identified opportunities for improvement in each area to aid the Department in better managing the offender population and as a result, better protecting the public, employees, and the offenders.

GOVERNANCE

Governance represents an essential aspect of DOC operations; correctional facilities' geographic dispersion, combined with changes in management after the audit period, warrant the need for sufficient and appropriate oversight to ensure agency actions support and further the mission. As the Board of Corrections (BOC) is ultimately responsible for providing such oversight, we evaluated its structure and oversight role by obtaining an understanding of its operations and comparing them to established best practices.

CONCLUSION

The Board could improve its operations by enhancing its financial oversight and audit-related functions and performing regular self-assessments.

OBSERVATIONS

Committee Structure

Governance guidelines suggest that creating committees to divide board work enables more in-depth attention to specific governing issues, thereby enhancing expertise¹⁰ without occupying the time of the entire board. The Board has Committees on the Budget, Female Offenders, Public Policy, Population/Private Prisons, Public Affairs, and Executive issues. These committees meet with the same frequency as the full board and are able to make recommendations. However, the Board does not have an audit committee.

¹⁰ Corporation for National and Community Service. *Best Practices of Highly Effective Nonprofit Boards*, <http://www.nationalserviceresources.org/best-practices-boards>.

*Formation of an
Audit Committee
may benefit the
Board.*

According to the American Institute of Certified Public Accountants, an audit committee of a government entity can assist in assessment and management of risks, ensure accountability and compliance, and enhance governance.¹¹

DOC has experienced two performance audits in the last decade, in addition to numerous annual facility audits, most of which entail multiple recommendations.¹² It might be beneficial for the BOC to form an audit committee to enhance financial oversight, ensure accountability, and facilitate awareness of the various audits and the corresponding recommendations.

Financial Oversight

Best practices emphasize the necessity of oversight in ensuring duties delegated to staff are carried out to the board’s wishes, the organization is succeeding in its mission, and resources are used wisely.¹³ Specifically regarding financial oversight, resources also suggest the review of budget-to-actual comparisons of revenues, expenditures, cash flow, and fund balances in order to monitor, measure, and evaluate budgetary performance.¹⁴ From a review of board minutes taken during the audit period, it appears as though the Board members do not receive detailed information regarding the agency’s financial status or that of individual corrections facilities. Without adequate financial monitoring tools, the Board may not have the ability to anticipate the impact of changes to those that rely on its services: the public, DOC employees, and offenders.

During the audit period, the Board appeared to view limited information on the agency’s correctional industries programs as well, despite the requirement in O.S. 57 §541 to control and manage the revolving fund into which earnings are to be deposited.¹⁵

Board members acknowledged that there has been a shift in how the Board reviews financial information within the last year. Whereas they previously viewed trending data, they now analyze more comprehensive financial data, including monthly financial statements and more detailed data by fund when requested (including for the Industries Revolving Fund). Whether the summary data resulted from the Board’s lack of awareness of more detailed financial

¹¹ American Institute of Certified Public Accountants. *Benefits of Audit Committees and Audit Committee Charters for Government Entities*. http://www.aicpa.org/ForThePublic/AuditCommitteeEffectiveness/AuditCommitteeBrief/DownloadableDocuments/Benefits_of_AC_Government.pdf.

¹² Two performance audits include a 2007 audit by MGT Inc., and this audit performed by the State Auditor and Inspector. Other audits include an accreditation audit once every three years from the American Correctional Association and periodic audits from the agency’s Internal Audit division. Some aspects of DOC operations are also audited in relation to the state-wide comprehensive annual financial report.

¹³ Center for Nonprofit Success, as referenced by the National Association of Veterans’ Research and Education Foundations. *Overview of Corporate Governance*, http://navref.org/bestpractices/pdf/Heyman_Overview_of_Corporate_Governance.pdf.

¹⁴ “Best Practices in Public Budgeting,” GFOA, 2000, <http://www.gfoa.org/services/nacslb>.

¹⁵ The Industries Revolving Fund, also known as the 280 revolving fund, is provided for in O.S. 57 §541.

reports, or whether it resulted from the Board knowingly delegating financial analysis to staff, is not immediately clear.

Internal Audit Reporting

DOC employs an internal audit team. Internal auditing can play an important role in governance, accountability, and internal control. One key internal audit role is to provide assurance that internal controls are in place to adequately mitigate risks and achieve program goals and objectives.¹⁶

Internal auditing standards state that “the chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities,”¹⁷ and while 75% of internal auditors report to the Audit Committee or the Board,¹⁸ DOC’s internal auditors reported to agency management during the audit period. Effective March 17, 2014, the internal audit team reports to the agency’s inspector general.

DOC’s Internal Audit team does not report directly to the Board.

Standards also emphasize the independence of the internal audit activity, and require that the chief audit executive must communicate and interact directly with the board.¹⁹ Reporting to someone aside from the Board could impact the independence of the audit team and compromise compliance with internal audit standards.

Board Self-Assessment

The benefits of board self-assessment have been documented by multiple sources. Not only can Board performance evaluations offer members the opportunity to reflect on their individual responsibilities, but can increase the level of teamwork and set an example for the staff.²⁰ Though some board members recalled participating in board assessments, the extent of such assessments is unclear due to lack of documentation.

Best practices suggest the board should regularly assess its own performance through a survey, interviews, or other tools on at least a periodic basis in order to

¹⁶ Government Accountability Office, *Government Auditing Standards* GAO-12-331G, 6.22 (Washington, D.C.: December 2011).

¹⁷ The Institute of Internal Auditors, *International Standards for the Professional Practice of Internal Auditing*, <https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Standards.aspx>.

¹⁸ *Establishing the Authority of the Internal Audit Activity*, IIA Presentation, http://na.theiia.org/standards-guidance/Public%20Documents/Establishing_Authority_of_the_IAA_3_.pdf.

¹⁹ The Institute of Internal Auditors, *International Standards for the Professional Practice of Internal Auditing*, <https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Standards.aspx>. Sections 1110, 1111.

²⁰ BoardSource, as referenced by the Nonprofit Alliance, *The Importance of Board Self-Assessment - Board Chair and Board Member Best Practice Packet*, http://www.nonprofitalliance.org/system/res/25/original/Board_Member_Packet.pdf.

identify impediments to governance and ways to strengthen operations.^{21, 22}
Doing so will enable the board to see whether performance targets are being met,
and take corrective action if necessary.²³

RECOMMENDATIONS In an effort to improve the agency’s governance processes, we offer the following recommendations:

Recommendation #1: Create an Audit Committee

The Board might consider the potential functionality of an Audit Committee to help ensure accountability and compliance and provide financial oversight.

Recommendation #2: Improve Financial Oversight

The recent move to analyze agency financials in greater detail represents a positive development, but it still might be beneficial to board members for the agency’s Chief Financial Officer to provide an overview of available reports and allow board members to select those that members deem most useful. The Board should consider improving its financial oversight by:

- Requesting an overview of reports available through the state’s accounting system, PeopleSoft, and assessing which of these reports would prove most useful in their decision-making process.
- Requiring that the chief internal audit executive report directly to the Board (if created, to the audit committee).
- Actively engaging in the control and management of the Industries Revolving Fund in order to comply with O.S. 57 §541.

Recommendation #3: Perform Board Self-Assessments

We recommend that the Board develop performance targets and annually assess their achievement using a survey, interviews, or by other methods the Board deems appropriate.

See the Board’s responses to these recommendations in the letter at page 33.

²¹ BoardSource, *Board Chair and Board Member Best Practice Packet*.

²² Executive Service Corps of Washington, *Best Practice Materials for Nonprofit Boards*, <http://www.escwa.org/files/bbp.pdf>.

²³ Corporation for National and Community Service. *Best Practices of Highly Effective Nonprofit Boards*, <http://www.nationalserviceresources.org/best-practices-boards#.U3zQI01OUdU>.

FINANCIAL MANAGEMENT

Financial resources are necessary for DOC operations; proper management of those resources provides the agency with greater opportunities to fulfill its mission. We attempted to find opportunities for greater efficiencies and improvements in the Department's overall financial processes by examining some of DOC's financial management practices, including food budgeting and purchasing and healthcare expenditures.

CONCLUSION Management should consider improving monitoring of offender master menu compliance and implement policies and procedures to ensure statutory compliance related to centralized food purchasing. They should also consider developing medical cost savings measures similar to those found effective in other states.

OBSERVATIONS *Food Budgeting and Master Menu Compliance*

Several DOC policies contain requirements related to offender meals:

- Department policy P070100 requires provision of three daily meals, dietary modifications, meal variations, and alternate meal service, in addition to prohibiting the withholding of meals or variations to the standard diet as a disciplinary measure.
- Policies OP070202 and OP070203 require facilities to follow the approved master menus, and food service managers to ensure meals adhere to the approved master menus. Food purchases must therefore be made in accordance with master menu requirements. (The master menu is created with the assistance of a dietician and is intended to meet dietary requirements.)
- Policies further provide for meal substitutions, with P-070100 stating "diet modifications, meal variations, and alternate meal service require adherence to basic nutritional requirements," and OP-070202 stating that documentation of menu substitution will be monitored by the facility head and reviewed during internal audits.

In order to budget for food purchases, DOC calculates the "standard rate" (a dollar amount per offender per day for food) and then communicates this rate to the facilities in order for the facilities to calculate their own food budget. Separate rates are calculated for correctional facilities and community correction centers. DOC bases the calculation for the upcoming year's standard rate on prior year

expenditures coded to "Food and Kitchen Supplies and Materials."²⁴ For fiscal years 2010 through 2013, this category accounted for 5.93% of total agency non-personnel expenditures.

Our discussions with staff indicated that there are no formal or consistent processes for monitoring compliance with the master menu or monitoring menu substitutions.

Without such monitoring, the agency risks inconsistencies in food provision and food service expenditures. Lack of oversight in this area may lead to overuse of menu substitutions, inaccurate reflection of costs associated with the master menu, and consequently the standard feeder rate may be inaccurate.

Centralized Food Purchasing

DOC facilities purchase food individually. This practice appears to directly conflict with O.S. 57 § 533:

"The Director of the Department of Corrections shall develop and promulgate a policy that will centralize, at the Department of Corrections, the procurement of all items of food supplies, other than fresh food local buys, for all institutions within the Department of Corrections."

Numerous DOC policies address the subject of food purchasing, with some even referring to the statute, but none appear to specifically address statutory compliance. It appears the Department is out of compliance with this statute.

Current DOC food purchasing practices do not align with statutory requirements.

Health Care Expenditures

As required by state statute, DOC must provide medical care for offenders. O.S. 57 §623 authorizes the Department of Corrections to operate on-site primary medical treatment programs, while O.S. 57 §627 contains multiple provisions related to offender medical care requirements.

We identified DOC medical departments' expenditures by year:²⁵

²⁴ As reported through PeopleSoft six-digit object of expenditure account code 534110.

²⁵ Neither medical expenditures nor total expenditures include state-employed personnel salary costs, but do include the cost of contract personnel (those not employed by the state). Medical expenditures exclude the cost of offender medical care (up to an annual capped amount) at private prisons, as such costs are contained within the per diem rate DOC pays to the private prison operator as part of its contract.

DOC Medical Department Expenditures as a Percentage of Total Expenditures,
 Fiscal Years 2010 through 2013

Fiscal Year	Medical Expenditures	% Change from previous year	Total DOC Expenditures	Medical Expenditures as a Percentage of Total Expenditures
2010	\$32,912,746	n/a	\$289,761,682	11.36%
2011	\$33,018,352	0.32%	\$274,793,916	12.02%
2012	\$32,772,862	(0.74%)	\$270,295,471	12.12%
2013	\$36,568,432	11.58%	\$309,761,106	11.81%
2010-2013 Total	\$135,272,392		\$1,144,612,175	

Source: CORE expenditure data, medical department codes 6363100 through 6363188. These include expenditures attributed to DOC's medical departments, which include expenditures other than medical supplies and equipment.

Medical expenditures increased by \$3,655,686, or 11.1 percent, from FY 2010 to FY 2013. Medical expenditures as a percentage of total expenditures fluctuated between FY 2010 and FY 2013, but are slightly higher toward the end of the period. The issue of rising costs in healthcare is likely to continue to play a role in DOC decision-making in the future, as health spending across the nation is projected to grow at an average annual rate of 5.8 percent from 2012 to 2022.²⁶

Reasons for Rising Health Care Expenditures

A recent national study from the Pew Charitable Trust found that the primary reason for the increase in prison health care costs is “bigger and older prison populations.”²⁷ Additionally, a report from the organization Human Rights Watch claims that “older prisoners are at least two to three times as expensive to incarcerate as younger prisoners, primarily because of their greater medical needs. Our research shows prison medical expenditures for older inmates range from three to nine times higher than those for the average inmate... older inmates not only have more infirmities than younger, but the nature of their diseases and the responses required tend to be different.”²⁸

We requested statistics on the number of offenders in Oklahoma over the age of 40 during the audit period to determine if DOC experienced an increasing aging population. The following table shows offender populations by age group:

²⁶ “National Health Expenditure Projections 2012-2022.” Centers for Medicare and Medicaid Services. <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/downloads/proj2012.pdf>.

²⁷ Vestal, Christine. “Study Finds Aging Inmates Pushing Up Prison Health Care Costs.” Pew Charitable Trusts. <http://www.pewstates.org/projects/stateline/headlines/study-finds-aging-inmates-pushing-up-prison-health-care-costs-85899516112>.

²⁸ Human Rights Watch, “Old Behind Bars: The Aging Prison Population in the United States.” Pages 72-74. http://www.hrw.org/sites/default/files/reports/usprisons0112webwcover_0_0.pdf.

Offender Populations by Age Group, FY 2008 through FY 2013

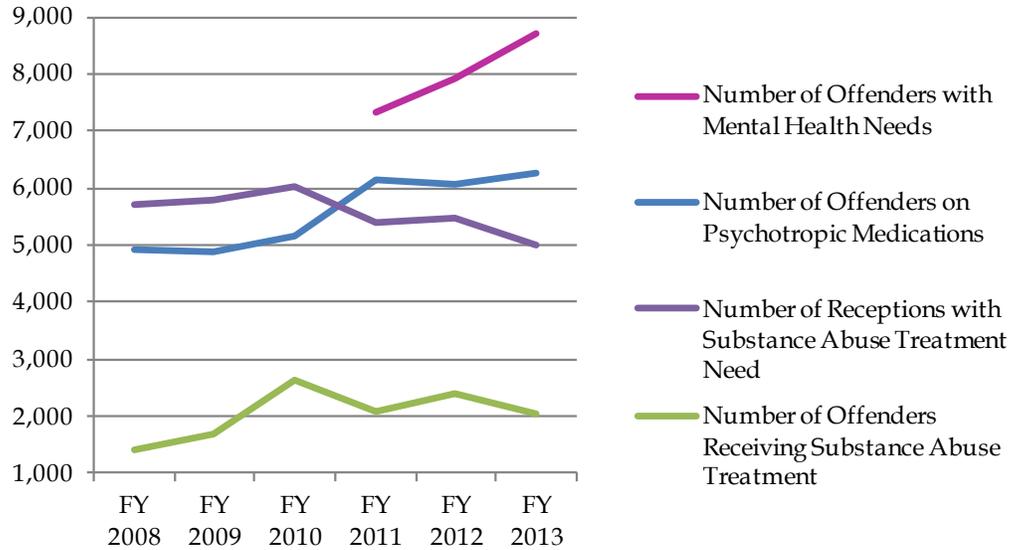
FISCAL YEAR	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
TOTAL OFFENDER COUNT	24,433	24,309	24,849	24,351	24,520	25,186
Number of Offenders / Percentage of Offender Population						
40 to 49 years of age	6,497 26.6%	6,384 26.1%	6,279 25.7%	5,954 24.4%	5,999 24.6%	6,101 25.0%
50 to 59 years of age	2,825 11.6%	2,917 11.9%	3,173 13.0%	3,210 13.1%	3,362 13.8%	3,562 14.6%
60 to 69 years of age	687 2.8%	735 3.0%	808 3.3%	874 3.6%	941 3.9%	1,009 4.1%
70 to 79 years of age	103 0.42%	101 0.41%	121 0.50%	134 0.55%	151 0.62%	187 0.77%
80 years of age & older	12 0.05%	10 0.04%	11 0.05%	11 0.05%	11 0.05%	16 0.07%
Total, 40 years +	10,124 41.44%	10,147 41.74%	10,392 41.82%	10,183 41.82%	10,464 42.68%	10,875 43.18%

Source: Data by age group and fiscal year from DOC's OMS System (unaudited), percentages computed by SAI

This data shows that there has been an increase in the offender population over age 40.

The Pew Charitable Trust study also attributed rising prison health care costs to additional factors, including mental illness and substance abuse among offenders. According to unaudited data provided by DOC management, an increasing percentage of offenders have been assessed with mental health needs, and there has simultaneously been a rise in the number and percentage of offenders taking psychotropic medications to treat mental illness. The data also indicated that the number of offenders receiving substance abuse treatment while in DOC custody increased, although the number of offender receptions with an assessed substance abuse treatment need decreased. This is illustrated on the next page:

**Offender Mental Health and Substance Abuse Treatment,
 FY 2008 through FY 2013**



Source: Oklahoma Department of Corrections (unaudited). Data on the number of offenders with mental health needs was not collected prior to FY 2011.

Measures to Reduce Health Care Expenditures

According to the State Health Care Spending Project, “Health care and corrections spending will continue to pose a fiscal challenge to state lawmakers in the years ahead. Addressing the intersection of these spending areas – health care services provided to prison inmates – will be particularly important.”²⁹

Management states that they have instituted a number of cost-saving measures aimed at reducing health care expenditures, including (but not limited to) negotiating lower hospital contract rates, lowering insurance payment rate, reducing temporary nursing staff, increasing utilization of telehealth services, and implementing a shared supply network. We researched additional options for reducing medical expenditures and found that other government entities have benefited from approaches such as:

- Competition through privatization;
- Low-cost prevention efforts to educate inmates about health care;
- Releasing older and terminally ill inmates;³⁰

²⁹ State Health Care Spending Project (Pew Charitable Trusts and MacArthur Foundation), *Managing Prison Health Care Spending*. 2013, p.26. <http://www.pewstates.org/research/reports/managing-prison-health-care-spending-85899515729>.

³⁰ Kinsalla, Chad. *Trend Alert: Critical Information for State Decision Makers, Correctional Health Care Costs*, January 2004, The Counsel of State Governments. <http://www.csg.org/knowledgecenter/docs/TA0401CorrHealth.pdf>.

- Utilization management;³¹
- Expanding secure bed capacity;
- Revising pharmaceutical practices;
- Limiting hospital charges to 110% of Medicare rates;³² and
- Prior approval for specific treatments and services.³³

Continuing increases in medical expenditures may increase the risk that the agency cannot continue to fund associated medical services as required by statute, or that the agency must reduce funding to other programs in order to meet increasing medical expenses.

RECOMMENDATIONS In an effort to improve the agency’s financial management processes, we offer the following recommendations:

Recommendation #4: Monitor Master Menu Compliance

We recommend management consider developing a process to monitor master menu compliance in accordance with internal policies (OP070202 and OP070203).

Recommendation #5: Implement Policies and Practices to Ensure Statutory Compliance

The agency should develop and implement policies and procedures to centralize food purchasing in order to comply with O.S. 57 §533.

Recommendation #6: Consider Further Medical Cost Savings Measures

DOC may consider further medical cost saving measures as demonstrated by other entities and their potential benefit to agency operations and overall finances.

See management’s responses to these recommendations in the letter at page 33.

³¹ According to a publication from the National Institute of Corrections, utilization management is “a process to eliminate unnecessary medical care and direct care to the most cost effective setting appropriate for the condition of the patient.” Brace, Nancy E. “Correctional Health Care Cost Containment,” as referenced by Anno, B. Jaye, *Correctional Health Care: Guidelines for the Management of an Adequate Delivery System*. 2001. <http://static.nicic.gov/Library/017521.pdf>.

³² *Steps to Control Prison Inmate Health Care Costs have Begun to Show Savings*, Florida Legislature, Office of Program Policy Analysis and Government Accountability. <http://www.oppaga.state.fl.us/reports/pdf/0907rpt.pdf>.

³³ Anno, B. Jaye. *Correctional Health Care: Guide lines for the Management of an Adequate Delivery System*, 2001 Edition, U.S. Department of Justice, National Institute of Corrections, <http://static.nicic.gov/Library/017521.pdf>.

CAPACITY MANAGEMENT

Capacity management represents one of the greatest challenges for DOC, as it impacts both offenders and staff. We reviewed the Department's practices related to capacity management while focusing on aspects of the process under management's control. This involved examinations of DOC's processes for capacity measurement, the relationship between the offender population and staffing levels, and the electronic system used by staff to track offender information. We also compared the Department's practices to relevant statutory requirements.

CONCLUSION Management appears to have several opportunities to improve its tools for management of the offender population, including expanding its definition of capacity to better take advantage of statutory authority to recommend offenders for parole, improving training programs for cadets and case managers, and performing in-depth staffing analysis. We also strongly recommend that management take steps to improve its electronic Offender Management System, which currently suffers from numerous inadequacies.

OBSERVATIONS *Measuring Capacity*

Capacity is officially approved by the Board of Corrections (BOC) and is provided for under DOC policy OP150205. Capacity is based on building design, sanitation facilities, space requirements, and correctional needs specific to the facility or its special units.

The Bureau of Justice Statistics (BJS) offers three general measures of their facilities' capacity:³⁴

1. Design Capacity: the number of inmates that planners or architects intended for the facility;
2. Operational Capacity: the number of inmates that can be accommodated based on a facility's staff, existing programs, and services; and
3. Rated Capacity: the number of beds or inmates assigned by a rating official within the jurisdiction.

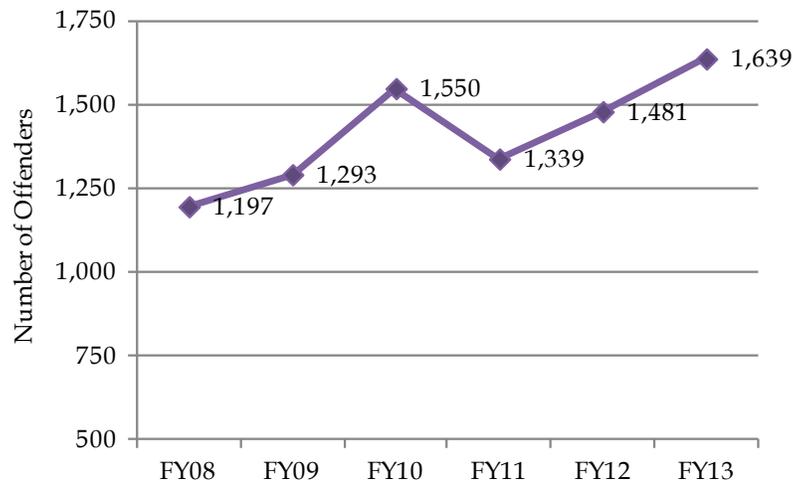
DOC produces weekly capacity reports (also known as *Facility Count Reports*) summarizing capacity on multiple levels, including by facility type (state or private), by security level (maximum, medium, minimum, community), and by gender. All state-run facilities (correctional centers, community corrections

³⁴ Bureau of Justice Statistic, Terms and Definitions: Corrections. <http://www.bjs.gov/index.cfm?ty=tdtp&tid=1>.

centers, and work centers), private correctional facilities, and county jail contract beds³⁵ are included in the capacity count.³⁶

DOC's capacity and offender counts exclude offenders that have been judged and sentenced to a term in prison, but have not yet been transferred from the county jail to DOC custody. This group of offenders is commonly referred to as the "county jail back-up."³⁷ Though these individuals are not considered within DOC's current facility count, they have been sentenced to DOC custody and are awaiting transfer to one of DOC's assessment and reception centers. The following chart illustrates the county jail backup population during the audit period:

County Jail Back-up Populations



Source: Oklahoma Department of Corrections, "Fiscal Year 2008 - 2013 Average Monthly County Jail Back-up Population" (unaudited)

While the offender population increased by 3.08 percent during the audit period, and overall capacity increased by 4.15 percent (according the Facility Count Reports), county jail backup increased by 36.92 percent. Such statistics translate to a challenge for DOC in coping with the constant demand for available bed space.

In addition to the county jail back-up count the capacity percentage calculation also excludes offenders in community programs and "other out count" offenders. Community programs include GPS tracking and electronic monitoring programs and pre-parole conditional supervision programs; failures in these programs would send the offender back to a facility and thus force DOC to find

³⁵ County jail contract beds are provided for certain inmates that have been received and assessed by DOC, but are placed in a county jail as opposed to a state correctional center or a private correctional facility.

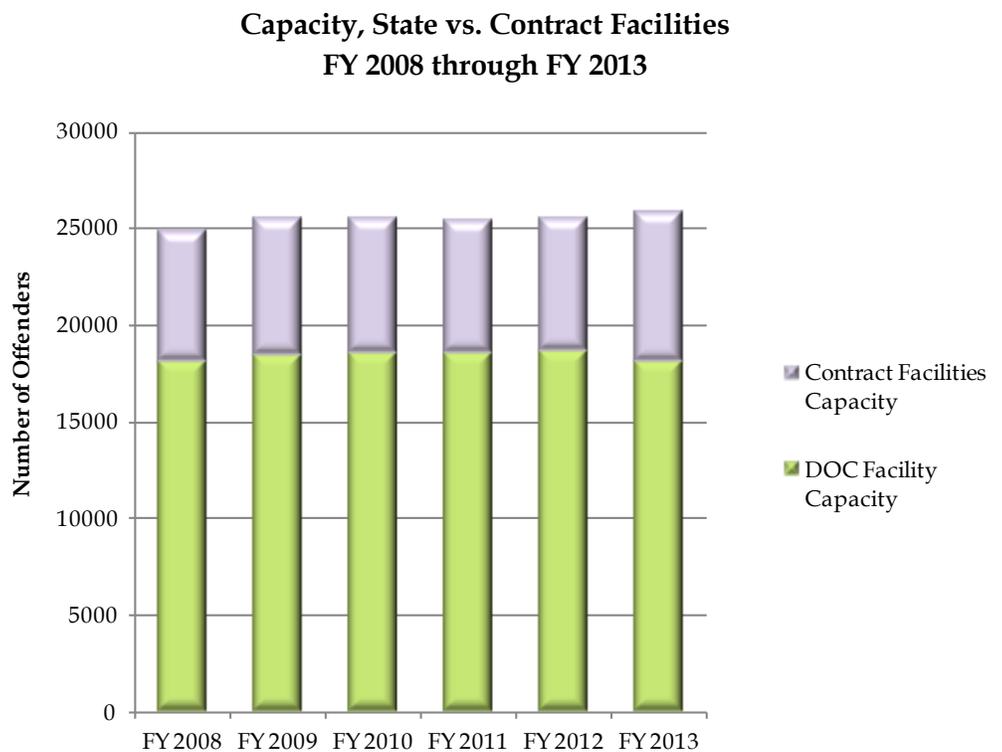
³⁶ For a list of facilities included on Facility Count Reports, see Appendix A.

³⁷ DOC Annual Report FY2009, <http://www.ok.gov/doc/documents/ANNUAL%20REPORT%20FY2009.pdf>.

bed space for him or her. "Other out count" includes offenders who are temporarily located outside of the facility for purposes such as court appearances or medical treatments. The majority of these offenders will return, though their date of return may be unknown, and upon return, DOC must place them in a facility.

Capacity Fluctuations

The following chart depicts the differences in capacity between state facilities and contract facilities during the audit period:



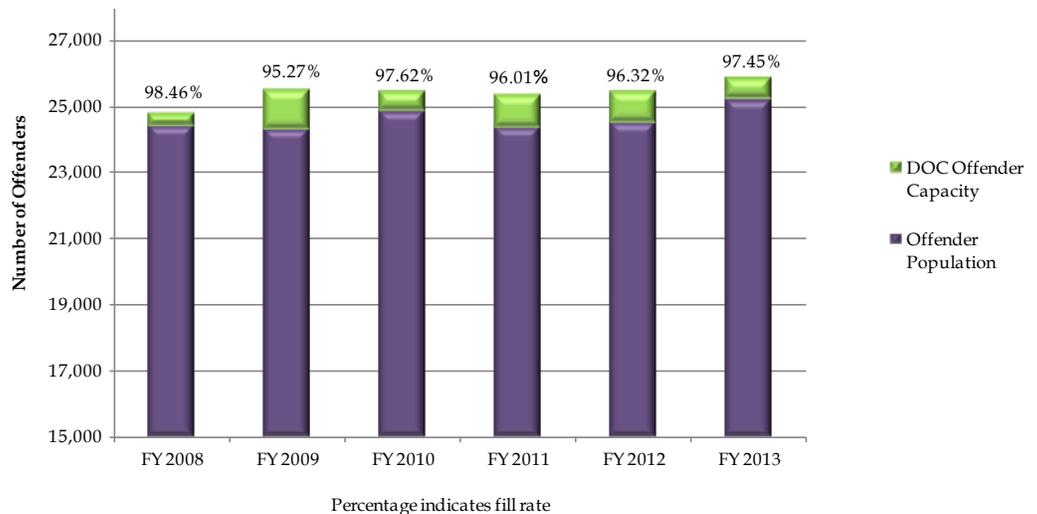
Source: Oklahoma Department of Corrections, Facility Count Reports (unaudited)

According to DOC facility count reports, total capacity increased from 24,815 to 25,846 (4.15 percent) during the audit period, contract beds accounted for 27 percent of DOC's capacity in FY 2008 and 29.81 percent in FY 2013.

Board minutes, in addition to documentation provided by the agency, reveal a variety of reasons for the fluctuations in DOC's capacity during the audit period, including the addition of contract beds, unit closures, unit additions, and removal of certain beds from the capacity count due to their designation as segregated housing unit beds.

We performed more detailed procedures to determine overall facility capacity levels during the audit period and found that the department has never reached full capacity by current definition.³⁸ The following chart depicts DOC's total capacity, its offender population, and the percentage fill rate during the audit period:

**Oklahoma DOC Capacity vs. Actual Offender Population,
 FY 2008 through FY 2013**



Source: Oklahoma Department of Corrections, Facility Count Reports ³⁹(unaudited)

Because DOC's current method of calculating capacity precludes the agency from reaching a 100% fill rate, they are unable to take advantage of provisions of O.S. 57 § 37 that require the Pardon and Parole Board to consider certain nonviolent offenders for parole if DOC reaches maximum capacity.

Identification of Capacity Expansion Opportunities

DOC developed a capacity expansion plan in 2007 that proposed adding 1,009 beds in FY 2008 and 3,275 beds in FY09, but these plans were contingent on the availability of additional funding to renovate existing facilities and build new structures.⁴⁰ It appears that at least the 1,009 beds in FY 2008 were funded.

The agency then contracted with the Durrant Group in 2009 to assess the capital needs at all state facilities and plan for renovations in future years. Recommendations in this report required \$344,192,317 in additional funds within

³⁸ For more detail on procedures related to capacity determination, see Appendix B.

³⁹ Data represents the last week of the fiscal year.

⁴⁰ "Performance Audit of the Department of Corrections for the Legislative Service Bureau of the Oklahoma Legislature," MGT of America, Inc., page 3-14.

the first five years of implementation, and \$154,684,192 in years six and beyond for all improvements.⁴¹ According to DOC management, the agency was unable to implement the majority of the capital recommendations due to a lack of funding.

Best practice guidelines suggest that a government should adopt plans for capital asset acquisition, maintenance, replacement, and retirement in order to ensure that needed capital assets or improvements receive appropriate consideration in the budget process. Such policies and plans are necessary to plan for large expenditures and to minimize deferred maintenance.⁴² According to the agency, DOC does not currently develop or maintain short or long-term capacity plans other than those mentioned and those set by the Board per OP150205. This policy does not appear to outline any specific changes to capacity in future years.

DOC identifies infrastructure and capital outlay needs in the agency's annual budget requests, but such projects appear to be contingent on the availability of funding and do not account for standstill or reduced budget contingencies.⁴³ Additionally, the 2007 MGT of America audit recommended that DOC establish a maximum security status lower than 'lockdown' (which refers to severely restricted offender movement), but DOC's plan to implement a maximum security step-down unit was abandoned due to continued demand for bed space.

Though it may be difficult due to a lack of funding, it might benefit the agency to develop and maintain short and long-term capacity plans that take into account possible budget scenarios. However, it appears that deficiencies in the agency's Offender Management System, as discussed in more detail later, might preclude accurate identification of capacity needs, which would impact the agency's capacity planning capability.

Statutory Compliance

We identified three significant laws related to capacity management, including:

1. O.S. 57 §37 - Facilities Reaching Maximum Capacity: requiring the Pardon and Parole Board to consider certain nonviolent offenders for parole if DOC reaches maximum capacity;
2. O.S. 57 §510.9 - Electronic Monitoring Program: allowing for electronic monitoring of certain offenders; and

⁴¹ "Oklahoma Corrections Master Plan," The Durrant Group, Inc., page 19.

⁴² "Best Practices in Public Budgeting," GFOA, 2000, <http://www.gfoa.org/services/nacslb>.

⁴³ "Operations Funding Changes," DOC Budget Requests FY 2008 through 2013.

3. O.S. 57 §521 – Commitment to Custody of Department – Classification and Assignment – Reentry Programs: requiring DOC to process certain offenders for participation in reentry programs.

As discussed earlier, the department never reached full facility capacity, and is therefore not in violation of O.S. 57 §37.

Regarding state statutes O.S. 57 § 510.9 and O.S. 57 § 521, the department appears to have suitable policies in place to meet the terms of these statutes. However, we could not verify DOC statutory compliance due to insufficient data available through the agency’s Offender Management System (OMS). Numerous inadequacies within OMS prevented us from identifying certain subpopulations of offenders, determining if their eligibility was assessed properly, and that transfers were recommended in a timely manner.

Offender Management System

DOC uses the *Offender Management System* (OMS) to maintain electronic offender records.

The United States General Accounting Office’s *Standards for Internal Control in the Federal Government*⁴⁴ discusses the importance of information systems controls to “help ensure completeness, accuracy, authorization, and validity” and states these controls should be in place “to ensure that all inputs are received and are valid and outputs are correct and properly distributed. An example is computerized edit checks built into the system to review the format, existence, and reasonableness of data.”

During the course of the audit, we encountered numerous concerns with the reliability of the OMS system. Specific deficiencies noted by facility personnel included:

- Limited capabilities/lack of automation:
 - OMS cannot project accurate release dates;
 - OMS cannot calculate offender time based on populated fields (case managers have to manually input);
 - The system will not prompt case managers when assessments are due or when an offender becomes eligible for lower security placement;
 - The system will not automatically update an offender’s age on their birthday;
- The system is not user-friendly;

⁴⁴ Although this publication addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

- System instability: system freezes and users regularly get kicked out;
- Functional inconsistency: usability depends on the time of day or the number of users logged on;
- Inability to track a caseload: case managers and facilities rely on non-standardized process in other programs, such as Microsoft Excel or Access, to track all offenders on a caseload or assigned to a unit;
- The system platform is no longer technologically supported, making its salvageability questionable if the system were to crash;
- The system is outdated: list of offender crimes does not include recent additions;
- System inefficiencies/lack of program integration: users must access different system modules for multiple functions (e.g., data can be input on one screen, but users have to log onto a different module to print this information);
- Due to manual entry requirements and insufficient auto-populating fields, the system is prone to input errors; and
- Data files may be overwritten by case managers.

Such conditions might preclude the agency from accurately identifying characteristics of its offender population.

While performing procedures, we encountered additional deficiencies. We requested historically captured data on the offender population to compare the number of offenders assessed at each security level to the number of beds at each security level within the system. However, upon requesting the data from DOC's Evaluation and Analysis unit, we were told of additional problems with the data sets due to the following factors:

Deficiencies within the Offender Management System negatively impact staff and offenders.

- Modifications to the code used to extract the data from the OMS were made over time;
- Certain years only include what was supposed to be the most recent assessment, and left out the offender's initial assessment;
- Some years showed neither the initial assessment nor the most recent assessment;
- In some years, a custody assessment might be listed as an adjustment review;
- Some assessments were outdated; and

- The most recent assessment may not be reflected in OMS, but should be maintained in the offender’s paper case file.

Due to the factors identified above, assessment data was not accurately captured and information between years was not comparable.

Information deficiencies affect staff and offenders. Without a reliable data system, DOC must rely on paper case files to make many offender management decisions. This process appears to be an inefficient use of case managers’ time. Case managers may also be unable to identify offenders’ programmatic needs or eligibility for options provided by statute, such as electronic monitoring or reentry programs. Without a functional offender management system DOC also faces difficulties in short- and long-term capacity planning, including accurately determining how many beds are needed at each security level.

DOC began the process of acquiring a new system over a number of phases. Thus far \$1 million of the agency’s existing budget has been allocated toward the system, which is projected to cost between \$6 and \$12 million depending on the vendor and specific applications. Management does not expect the new system to be functional for at least 2-3 more years.

Facility Staffing

Security officers, case managers, and unit managers play key roles in achieving DOC’s mission of ensuring the safety of the public, employees and offenders. Human Resource data obtained from PeopleSoft yielded the following staffing counts by year for these positions:

Key Personnel Staffing Levels, Fiscal Years 2010 through 2013:

Position	Staffing Counts as of June 30			
	2010	2011	2012	2013
Correctional Security Officer†	1840	1746	1674	1599
Correctional Case Manager	273	248	255	265
Unit Manager	63	51	55	55

† Includes Correctional Security Officers, Correctional Chiefs of Security, and Correctional Security Managers. Data from PeopleSoft employee population report provided by DOC management.

In researching best practices for staffing ratios, we found that staff-to-inmate ratios are highly variable, and ratios for one facility should not necessarily be applied to another, as doing so might produce inaccurate results.⁴⁵ Because of

⁴⁵ Dennis R. Liebert and Rod Miller, *Staffing Analysis Workbook for Jails*, 2nd edition (Washington, DC: U.S. Department of Justice, National Institute of Corrections, 2003):page 35.

this variability, we have not included a comparison to other states, but did calculate Oklahoma’s staff-to-offender ratios:

Oklahoma Staff-to-Offender Ratios, Fiscal Years 2010 through 2013

Position	Staff to Offender Ratios ⁴⁶			
	2010	2011	2012	2013
Correctional Security Officer^{† 47}	1 : 10	1 : 10	1 : 11	1 : 11
Correctional Case Manager	1 : 67	1 : 73	1 : 71	1 : 68

† Includes Correctional Security Officer, Correctional Chief of Security, and Correctional Security Manager personnel. Data from PeopleSoft employee population report and capacity count sheets (unaudited) provided by DOC management. (Ratios based on offender counts of state run facilities and DOC employees.)

Based on this data, DOC has not experienced major changes in key staffing areas over the past four fiscal years.

Recruitment and Retention

Each facility requires 24/7 security staffing. Multiple interviewees at the agency and facilities suggested that current correctional officer staffing levels create challenges in meeting these requirements. The 2007 MGT audit of the Department stated that “DOC should enhance its current statewide recruitment and retention strategies to better assist facilities that cannot meet established staffing funding levels.”⁴⁸ According to DOC, the agency implemented a number of changes in response, including implementing incentives for nurses and correctional officers and recruiting at career fairs and schools. Recruiting efforts were subject to funding availability and therefore not consistent during the audit period.

During facility visits, some wardens expressed that hiring officers on a temporary basis was helpful, as the department’s formal hiring process is lengthy and applicants often find other employment prior to being formally offered a position. Others felt that hiring security staff on a temporary basis was not helpful because cadets cannot have independent responsibility for a security post without first completing an academy training course. Our analysis of

⁴⁶ Ratios computed using DOC facilities count from facility count sheets dated 6/28/2010, 6/27/2011, 6/25/2012, and 6/24/2013, and rounded to nearest whole number.

⁴⁷ Correctional officer to offender ratios are based on the total number of correctional officers and do not take into account that these positions man 24/7 posts which are covered by multiple shifts. Both eight and twelve hour shifts were used during the audit period. Therefore, doubling or tripling the number of offenders per security staff member in this ratio may provide a more accurate representation of ratio on the yards of the DOC institutions.

⁴⁸ “Performance Audit of the Department of Corrections for the Legislative Service Bureau of the Oklahoma Legislature,” MGT of America, Inc., page 6-8.

correctional officer cadets hired during FY 2013 revealed that, of the 297 cadets hired, 118 (40%) terminated by February 27, 2014. Such results demonstrate a potential lack of effective retention procedures. In addition, without an accurate staffing analysis DOC may not be utilizing staffing practices to deploy staff appropriately, effectively, and economically. This may jeopardize safety, security, and expenditure containment.

Another finding from the MGT audit stated, “DOC should deploy sufficient security staff at each facility to ensure that collateral responsibilities such as cell searches and inmate shakedowns are completed regularly.”⁴⁹ Management indicated that while policy mandates are being met, lack of funding has impacted the agency’s ability implement this recommendation through deployment of additional security staff.

Staffing Analysis

Correctional staffing guidelines note the vital nature of staffing analyses for safety, security, and expenditure containment.⁵⁰ Having access to staffing experts who know how to make posting decisions “is critical to safe and economical corrections.”⁵¹

Correctional staffing resources also suggest that good staffing plans and practices contribute to achieving a facility’s most important mandate: providing safety for staff, the public, and inmates. Optimal staffing also improves facility’s ability to provide programs and services, decreases potential liability, and helps ensure that costly staff resources are used in the most efficient way.⁵² Resources also

note that while staffing is the most expensive component of any facility budget, there are many creative ways to optimize the effectiveness and productivity of existing staff, including managing staff time off and overtime, improving staff hiring and retention practices, employing creative administrative and management practices, changing operations and programs, changing the facility, and using technology.⁵³

DOC has not conducted a thorough staffing analysis since 2001.

Staffing analysis is an integral component to the successful operations of correctional facilities. DOC bases correctional facilities’ staffing levels on assessments performed by a Facility Staffing Pattern Analyst, with adjustments made on a case by case basis. DOC has not conducted a formal staffing analysis since 2001, when the analyst position was vacated.

⁴⁹ MGT of America, Inc., page 6-32.

⁵⁰ Camp, Camille Graham. *Prison Staffing Analysis, a Training manual with Staffing Considerations for Special Populations*. Washington, D.C. December 2008. Page xv.

⁵¹ Camp, page xx.

⁵² Liebert, Dennis R. and Miller, Rod. *Staffing Analysis Workbook for Jails*. Washington, D.C. 2003, page v.

⁵³ Liebert and Miller, page 27.

Cadet Training

During the course of our procedures, we encountered evidence that the availability of cadet training may impact staff scheduling. Correctional staffing experts have found that training can create some serious scheduling and overtime problems. Options for dealing with these difficulties include scheduling training to correspond to coverage needs, moving toward increased on-the-job training, testing to ensure staff competency, and employing emerging training technologies, such as computer-based training courses and distance learning, which can reduce scheduling problems.⁵⁴

During our interviews, one warden explained that his security staff scheduling was considerably impacted by the availability of the academy training courses for cadets, as a significant portion of his security staff was composed of cadets and even when staffing ratios were up, a portion of their security staff could not be used to cover a security post.

DOC policy OP100101 requires cadets to receive training within one year of hire.⁵⁵

We performed audit procedures on cadets hired in FY 2013 to determine the length of time of between their and completion of the cadet training academy and found the following:

Of the 297 cadets hired in FY 2013:

- 196 completed the academy. The date of academy completion ranged between 32 and 407 days within hire and averaged roughly four and one-half months. Completion time for one cadet exceeded the one-year timeframe;
- One Cadet hired was attending the academy at the time that audit procedures were being performed and if completed as scheduled, would complete the academy 339 days from the date of hire; and
- 94 cadets terminated and four transferred to non-security positions within one year of hire and prior to attending the academy, one employee hired as a cadet had completed the academy during a previous term of employment, and one cadet, hired May 1, 2013, had been on military leave since August 5, 2013.

DOC could benefit from providing alternative cadet and comprehensive case management training.

It appears that while the agency generally complies with its internal policy regarding the time frame for cadet training, it may benefit from alternative

⁵⁴ Liebert and Miller, page 29.

⁵⁵ See DOC OP100101, <http://www.ok.gov/doc/documents/op100101.pdf>.

training delivery methods in order to expedite the cadet training process and to assist the department in meeting its coverage needs.

Case Manager Training

Case management is an integral function of the department. Case managers are responsible for many offender management functions, including offender classification, crisis intervention, work assignments, programmatic activities, and behavior management.⁵⁶ However, not all processes are consistent among case managers. Case managers at a number of facilities appear to use individual spreadsheets or other databases to track offenders on their caseloads. In addition case managers reported noticing mistakes in offender files, including missing conduct credits, inaccurate recording of prior jail time, and missing adjustment reviews.

During our procedures we found evidence of missing adjustment reviews in offender files. When reviewing files to ensure overrides were documented correctly, we noted that, out of a sample of 60 files, 10 offender field files did not contain an assessment performed during FY 2013, and one file did not agree to the assessed security level recorded in OMS. DOC policy OP060103 appears to require reviews on an annual basis and requires a paper copy of the assessment review to be included in the offender's field file. However, according to one DOC employee, the policy stating, "The first scheduled reassessment may be completed 90 days from the date the offender arrives at the facility and must be completed on an annual basis thereafter or when an offender's status has changed requiring a review to increase or decrease in security level," is interpreted to imply that annual assessments are not required unless security level changes are needed.

During facility visits, some personnel noted the department's discontinuance of case manager training classes, with new case managers receiving only on-the-job training. DOC's OK Correctional Career Development Center confirmed that case manager training classes were discontinued in the fall of 2012, and explained that training was provided on the job without a formal process. Case manager training classes resumed April 21, 2014.

Multiple publications from the United States General Accounting Office underscore the importance of identifying necessary employee skills and competencies, and providing effective training and development programs as

⁵⁶ See DOC P060100, <http://www.ok.gov/doc/documents/p060100.pdf>.

part of an overall management strategy to achieve cost-effective and timely results.⁵⁷

RECOMMENDATIONS In an effort to improve the agency's capacity management processes, we offer the following recommendations:

Recommendation #7: Expand DOC's Definition of Capacity

In order to facilitate the use of authority granted to the agency by O.S. 57 §37, the agency may consider incorporating an alternative measure of capacity and the inclusion of offender categories currently excluded from the capacity percentage calculation. This could potentially alleviate some of the agency's challenges related to capacity constraints.

Recommendation #8: Implement Alternative Training Programs

DOC may benefit from incorporating comprehensive training for cadets and case managers to ensure that priorities are effectively addressed in a cost-effective and timely manner. In addition, DOC may consider expanding training methods in order to expedite the cadet training process to assist facilities in meeting security coverage needs.

Recommendation #9: Perform an In-Depth Staffing Analysis

DOC may consider performing an in-depth staffing analysis and maintaining an up-to-date staffing plan.

Recommendation #10: Upgrade the Offender Management System

A more efficient and effective offender management system could benefit the agency in multiple ways, including:

- Enhancing case manager efficiency by freeing up time for primary job duties;
- Enabling agency management to analyze reliable data and make informed decisions;
- Facilitating development of short- and long-term capacity plans;

⁵⁷ United States General Accounting Office, *Metrics, Means, and Mechanisms for Achieving High Performance in the 21st Century Public Management Environment*, February 13, 2004, <http://www.gao.gov/assets/250/241451.pdf>; *Human Capital Management: Effectively Implementing Reforms and Closing Critical Skills Gaps Are Key to Addressing Federal Workforce Challenges*, September 19, 2012, <http://www.gao.gov/assets/650/648594.pdf>; *HUMAN CAPITAL: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, March 1, 2004, <http://www.gao.gov/assets/80/76803.pdf>.

- Assisting case managers in ensuring assessments are performed as often as required; and
- Helping the agency to comply with statutory requirements, such as identifying offenders eligible for certain programs.

A more comprehensive assessment of DOC's capacity requirements might also facilitate implementation of the agency's previous plan to establish a step-down maximum security unit.

DOC should consider expediting the adoption of a new system. This would ease the burden on case managers, free up resources and better serve offenders, provide management and the Board with accurate information, and assist in meaningful decision making concerning offender population management.

See management's responses to these recommendations in the letter at page 33.

PROSPECTIVE AREAS FOR FURTHER STUDY

1. *Impact of factors beyond the agency's control, including sentencing laws, statutory board member qualifications, etc.*

Though neither the agency nor the Board of Corrections have the ability to make statutory changes themselves, they are optimally positioned to analyze the impact such changes would have on the correctional system. Potential changes, such as statutory board member qualifications, may involve legislation; others may involve providing information with issue stakeholders. For instance, a review of Board minutes suggests that legislation is regularly discussed; however, when we requested a fiscal impact analysis of the measure that enacted 85% sentencing requirements, neither the Oklahoma House of Representatives staff, nor the Oklahoma State Senate staff, nor the agency could find evidence of such an analysis.⁵⁸ The agency may consider performing such analyses periodically and sharing the results with legislative and other decision makers.

2. *Alternative methods of financial support for a new Offender Management System*

DOC was one of many agencies that participated in a statewide effort to consolidate state agency information technology services. It might behoove the agency to quantify savings attributed to DOC from this effort and request financial assistance from the legislative or executive branch to implement upgrades to the Offender Management System.

3. *Correctional Industries(OCI)*

Though our procedures were designed to determine the level of oversight of funds related to the OCI/Agri-services division, the agency may want to assess whether further analysis of OCI programs or financial data may prove useful.

4. *Additional analysis of medical trends:*

Health care expenditures are expected to rise in the coming decade. Continued analysis of medical trends and projected costs will help to prepare DOC for the impact on Oklahoma's correctional system.

⁵⁸ HB 1008X (1999) requires persons convicted of certain felony offenses to serve a minimum of eighty-five percent of the sentence imposed before being eligible for earned credits or parole.

DOC RESPONSE
TO RECOMMENDATIONS



STATE OF OKLAHOMA
OKLAHOMA DEPARTMENT OF CORRECTIONS

July 15, 2014

The Honorable Gary Jones
Oklahoma State Auditor and Inspector's Office
State Capitol, Room 100
Oklahoma City, OK 73105



Dear Sir:

The Board of Corrections (BOC) and the executive management team of the Oklahoma Department of Corrections (ODOC) have had the opportunity to review in depth the results of the performance audit conducted by the Oklahoma State Auditor and Inspector's Office. A response to each recommendation is provided below.

Recommendation #1: Create an audit committee.

Response: The BOC concurs with the recommendation. The BOC will form an audit committee which will be responsible for recommending to the Board the type and scope of audits to be performed for the agency, the Oklahoma Correctional Industries and Agri-Services. The committee will recommend to the BOC the entity, firm or person to perform these audits and will also determine the type, content, and frequency of financial reports to fulfil proper financial oversight and compliance with Oklahoma Statutes. The committee will ensure there are controls in place to safeguard the assets of the agency as well as controls for proper financial reporting.

Recommendation #2: Improve financial oversight.

Response: The BOC concurs with the recommendation. The BOC Audit Committee will enhance the internal audit function/program to ensure there are controls in place to safeguard the assets of the agency and controls for proper financial reporting. The internal audit group/person will report directly to the BOC.

Recommendation #3: Perform Board Self-assessments

Response: The BOC concurs with the recommendation. The BOC's Executive Committee will be asked to develop the suggested tools to conduct the assessment.

Recommendation #4: Monitor Master Menu compliance.

Response: ODOC concurs with the recommendation. In April 2014, ODOC began the process of implementing a standardized audit instrument. A full-time audit team has been developed and will begin auditing facilities in July 2014. One of the areas to be audited will be compliance with the Master Menu. In addition, food service policies are currently under review and modifications to reporting practices and the instruments utilized are anticipated.

Recommendation #5: Implement policies and practices to ensure statutory compliance (centralized food purchasing).

Response: ODOC concurs with the recommendation. At present, ODOC does not have the technological infrastructure in place to operationalize fully centralized food buying. ODOC does have an in-house food service management software in the development phase; however, this software was focused at facility level management, not centralized purchasing. A project team will begin evaluating the existing software project to determine whether modifications can be made to accommodate centralized purchasing coupled with remote inventory control or whether another inventory control system is a better solution.

Recommendation #6: Consider further medical cost savings measures.

Response: ODOC concurs with the recommendation. Further medical cost saving measures is currently being researched, but some of our immediate cost savings measures being implemented are as follows:

- *Moving the county jail sentenced offenders into ODOC should save money for Health Services. ODOC is responsible for the cost of care at the county jails, but we have little control over how they access emergency room services or hospitals, and they do not have to honor our DOC formulary, which leads to higher medication costs.*
- *Offenders are encouraged to access over the counter medications (OTC) through the canteen. Effective July 2, 2014, the medical and prescription co-pay fees will be increased to \$4.00. This should encourage offenders to purchase OTC medicines from the facility canteen.*
- *An expensive portion of the pharmaceuticals spending (approximately \$1 million annually) is for respiratory inhalers, which are very expensive. ODOC is currently training staff on the use of spirometry, a medical test to evaluate respiratory illnesses such as asthma and emphysema, and community standard of care. Use of spirometry will increase accuracy of diagnosis and may significantly reduce the prescribing of some of the more expensive inhalers. Spirometers must be purchased, but a decrease in prescribing of only about 2% will pay for their purchase cost.*

- *Through an exhaustive request for proposal process, the ODOC has obtained a new pharmaceutical vendor. The ODOC usage figures for pharmaceuticals over the last twelve (12) months totals 530,647 prescriptions. Under the current contract, a prescription fill fee of \$3.12 is paid. Under the new contract, a shipping fee of \$.065 will be paid. Both contracts require the vendor to invoice all pharmaceuticals at their actual cost. This new fill fee will potentially save the ODOC \$234,145 during the first year of the new contract.*

Recommendation #7: Expand DOC's definition of capacity.

Response: ODOC concurs with the recommendation. Defining capacity was our first major project. Since March 2014, ODOC has accomplished the following:

- *The number of offenders waiting for reception from county jail was significantly decreased. When this project started, ODOC was able to account for approximately 1,997 offenders awaiting transfer in county jails. ODOC places offenders on the county jail waiting list when sentencing documents are received from the sentencing county. Beginning in April 2014, ODOC began moving those offenders into our custody at a rate of 400 per week. It was soon discovered that the actual number of offenders in county jail backup was considerably higher than the 1,997 as originally thought. Many counties were retaining the sentencing documents and submitting them once ODOC picked up other offenders. The total number of offenders awaiting transfer was actually 3,500. ODOC is now at an operational norm of approximately 250 offenders awaiting transfer.*
- *ODOC has begun work on truly defining capacity. As noted in the report, ODOC has historically changed its capacity by adding or subtracting beds as units were added or closed or housing densities or uses were changed. However, ODOC has not changed its total capacity percentage definition. While the number of beds in the established institutions has increased over the years through double-bunking or placing beds in non-traditional areas, the official "capacity percentage" has remained unchanged. ODOC is in the process of identifying those beds that were placed above rated design capacity. We will then use the industry standard term of "temporary beds" for them and apply the following formula: $\text{Rated Design Capacity} + \text{Temporary Beds} = \text{Operational Capacity}$. With this formula the true amount of overcrowding can be shown and the rated design number never changes unless new facilities/units are added or closed.*
- *In conjunction with determining the rated design capacity numbers and temporary beds, ODOC has begun work on a substantial change to our daily count sheet. ODOC is identifying all populations and verifying the accuracy and the data source for accountability.*

Through the utilization of these steps, ODOC can accurately determine how many offenders are incarcerated, what percent of overcrowding is in place, facilitate utilization of statutes relevant to overcrowding and more importantly start accurately projecting future growth.

Recommendation #8: Implement alternative Training programs.

Response: ODOC concurs with the recommendation. On April 7, 2014, ODOC's Employee Development Unit (EDU) began a determined and collaborative effort of utilizing a regionalized model for the training of its correctional officer cadets. This undertaking began with the Northwest Regional Academy in Alva, Oklahoma, where fifteen (15) cadets from three northwest Oklahoma correctional facilities graduated after six weeks of intensive training. The second regional academy which began on April 21, 2014, was significantly larger in size with the graduating cadets numbering at forty-four (44). This was the Southeast Regional Academy hosted in McAlester, Oklahoma, on the grounds of the Oklahoma State Penitentiary (OSP). This six-week training session harvested a record twenty-one (21) cadets from OSP and twenty-three (23) cadets from five other regional correctional facilities. The regional academy training concept has proven to be cost effective while significantly alleviating the backlog of cadets waiting to be trained. ODOC will continue regional training academies as part of its established training model. At the present time, ODOC is studying the possibility of regional academies in the northeast quadrant of the state in and around the Muskogee and Tulsa areas.

With a recognized need and after an almost 2 year absence, the ODOC EDU resumed its efforts in providing correctional case manager specific training. On April 21, 2014, a five-day case manager training class began which provided training to twenty-five (25) correctional case managers. This effort will be ongoing with the next training to be offered beginning July 21, 2014. The seriousness of this need is reflected by EDU's commitment to the development and instruction of curriculum that specifically addresses the training needs of correctional case managers.

Recommendation #9: Perform an in-depth staffing analysis.

Response: ODOC concurs with the recommendation. This is the most critical of all projects that ODOC has started. While the audit report states that the last comprehensive study was conducted in 2001, we have reasons to doubt the accuracy of that study. ODOC brought in experts in April 2014 from the National Institute of Corrections (NIC) who helped lay the foundation of a comprehensive study. Over the next several months ODOC will be reviewing EVERY position within the agency to determine:

- *Is the position needed?*
- *Is the position properly classified?*
- *Is the position located at the facility where it is needed most?*

Based on this review, ODOC will then build appropriate staffing charts and priority posting rosters to determine the best use of our scarce resources. Once this review/work is completed we will bring back NIC to review the product and provide further technical expertise.

Recommendation #10: Upgrade the Offender Management System.

Response: ODOC concurs with recommendation. We agree the information in the current Offender Management System is unreliable and the system is subject to many deficiencies. We are currently meeting with the OMES/CIO to determine the needs of a future system and the costs. The internal committee coordinating this is now meeting again after several months of inaction. The high cost of Information Technology is always the difficulty. We will continue monthly meetings with the OMES/CIO to expedite a solution.

As you can see from our responses above, the work that you have done has validated our efforts for the past four months. It is always healthy to have persons outside an agency to come look at the practices and it is even better when an independent review points to the same issues that you are working to address.

We thank you for your time and look forward to working closely with you in the future.

Sincerely,


Robert Patton
Director

APPENDICES

APPENDIX A

Department of Corrections Facilities as Listed in Facility Count Reports:

State Correctional Centers:

Charles E. "Bill" Johnson Correctional Center
Eddie Warrior Correctional Center
Jackie Brannon Correctional Center
Jess Dunn Correctional Center
John Lilly Correctional Center
Lexington A&R and Correctional Center
Mack Alford Correctional Center
Oklahoma State Penitentiary
William S. Key Correctional Center

Dick Conner Correctional Center
Howard McLeod Correctional Center
James Crabtree Correctional Center
Jim E. Hamilton Correctional Center
Joseph Harp Correctional Center
Mabel Bassett A&R and Correctional Center
Northeastern OK Correctional Center
Oklahoma State Reformatory

State Community Corrections and Work Centers:

Altus Work Center
Beaver Work Center
Clara Waters Community Corrections Center
Elk City Work Center
Frederick Work Center
Hollis Work Center
Kate Barnard Community Corrections Center
Madill Work Center
Oklahoma City Community Corrections Center
Union City Community Corrections Center
Waurika Work Center

Ardmore Work Center
Carter County Work Center
Davis Work Center
Enid Community Corrections Center
Hobart Work Center
Idabel Work Center
Lawton Community Corrections Center
Mangum Work Center
Sayre Work Center
Walters Work Center

Private Prisons:

Cimarron Correctional Facility
Lawton Correctional Facility

Davis Correctional Facility

County Jail Contracts:

Choctaw County
Cotton County
Jefferson County
Leflore County
Nowata County
Okmulgee County
Tillman County

Comanche County
Greer County
Kiowa County
Marshall County
Oklahoma County
Roger Mills County

APPENDIX B

Procedures to determine compliance with O.S. 57 §37 – Facilities Reaching Maximum Capacity:

According to DOC management, DOC policy OP150205 states that the “authorized facility capacity” is the capacity approved by the Board of Corrections. Management also noted that the department has never reached the full facility capacity limit as set by the Board. We selected and reviewed a sample of twenty-five facility count sheets and evaluated what the overall percentage of the facility capacity was at points in time during our audit. Even though facility count sheet from six months of our audit period were unavailable, we felt that sampling from the other five years and six months (January 1, 2008 through June 30, 2013) would be sufficient.

System Totals and Facility Count Plus Other Out Count as a Percentage of Capacity

	Date	Capacity	Facility Count (includes contract facilities)	Difference	Facility Count as a Percentage of Capacity	System Total	Capacity less System Total	System Total as a Percentage of Capacity	Community Programs			Other Out Count	Facility Count Plus Other Out Count	Facility Count Plus Other Out Count as a Percentage of Capacity
									EMP	GPS	PPCS			
1	06/17/2013	25846	25140	706	97.27%	26498	-652	102.52%	16	667	1	674	25814	99.88%
2	05/20/2013	25846	25132	714	97.24%	26449	-603	102.33%	16	621	1	679	25811	99.86%
3	12/10/2012	25447	24801	10646	97.46%	26182	-735	102.89%	7	700	1	673	25474	100.11%
4	11/05/2012	25447	24803	644	97.47%	26224	-777	103.05%	13	725	1	682	25485	100.15%
5	09/24/2012	25827	24700	1127	95.64%	26137	-310	101.20%	11	714	0	712	25412	98.39%
6	08/13/2012	25697	24564	1133	95.59%	25973	-276	101.07%	10	680	0	719	25283	98.39%
7	05/14/2012	25515	24465	1050	95.88%	25827	-312	101.22%	6	685	0	671	25136	98.51%
8	05/07/2012	25515	24405	1110	95.65%	25773	-258	101.01%	7	695	0	666	25071	98.26%
9	04/02/2012	25515	24329	1186	95.35%	25699	-184	100.72%	9	682	0	679	25008	98.01%
10	11/21/2011	25424	24148	1276	94.98%	25478	-54	100.21%	9	604	0	717	24865	97.80%
11	08/29/2011	25424	24279	1145	95.50%	25444	-20	100.08%	6	470	0	689	24968	98.21%
12	06/01/2010	25455	24769	686	97.31%	25846	-391	101.54%	25	468	1	583	25352	99.60%
13	03/29/2010	25437	24735	702	97.24%	25753	-316	101.24%	33	457	1	527	25262	99.31%
14	02/01/2010	25250	24418	832	96.70%	25430	-180	100.71%	27	438	1	546	24964	98.87%
15	12/28/2009	25250	24449	801	96.83%	25423	-173	100.69%	27	450	1	496	24945	98.79%
16	11/23/2009	25250	24542	708	97.20%	25587	-337	101.33%	32	477	1	535	25077	99.31%
17	10/12/2009	25453	24482	971	96.19%	25439	14	99.94%	27	449	1	480	24962	98.07%
18	10/05/2009	25453	24471	982	96.14%	25457	-4	100.02%	24	461	1	500	24971	98.11%
19	09/28/2009	25455	24421	1034	95.94%	25390	65	99.74%	25	456	1	487	24908	97.85%
20	09/21/2009	25789	24408	1381	94.65%	25370	419	98.38%	25	456	1	480	24888	96.51%
21	09/08/2009	25489	24395	1094	95.71%	25333	156	99.39%	25	434	1	478	24873	97.58%
22	06/08/2009	25515	24332	1183	95.36%	25210	305	98.80%	21	451	1	405	24737	96.95%
23	11/10/2008	25270	24504	766	96.97%	25407	-137	100.54%	20	411	1	471	24975	98.83%
24	03/03/2008	24839	24330	509	97.95%	25182	-343	101.38%	4	387	1	460	24790	99.80%
25	02/04/2008	24839	24311	528	97.87%	25135	-296	101.19%	0	363	1	460	24771	99.73%

Source: Oklahoma Department of Corrections, Facility Count Reports (unaudited)



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV