

**Management Audit of the
Department of Public Safety's
Contracting for Prison Beds
and Services**

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Legislative Request

1. Conduct management audit on contracting for prison beds and services with non-Hawaii entities
2. Compare in-state and out-of-state incarceration costs

Background

Use of out-of-state facilities

1985	1995	1999	2010
Consent decree	300 HI inmates transferred to mainland prisons	Consent decree lifted	2,000 HI inmates in mainland prisons

A blue horizontal arrow pointing to the right, positioned above the table cells, indicating the progression of time from 1985 to 2010.

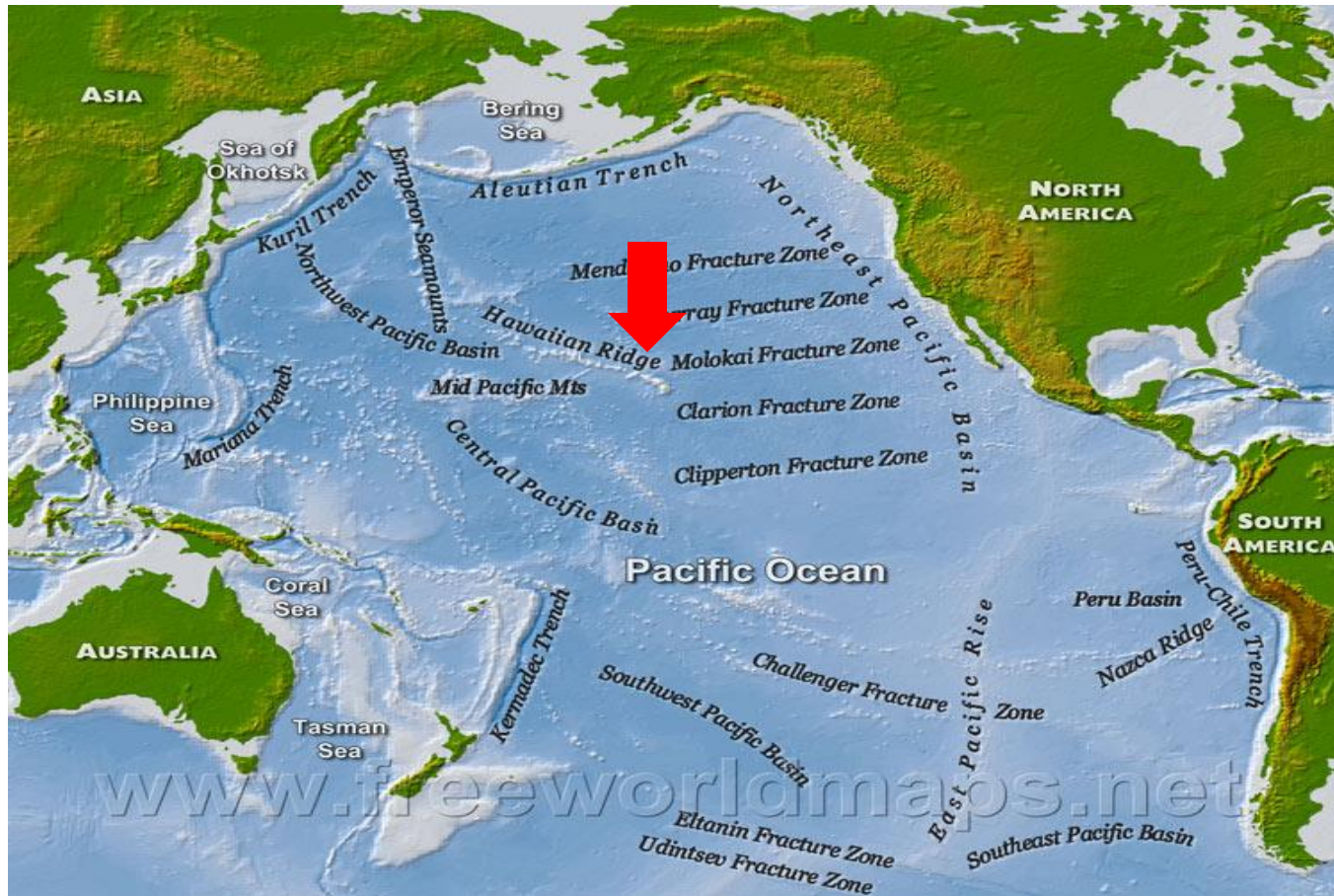
Where is Hawai'i?



Off the Coast of Mexico?



In the Middle of the Pacific



Most Isolated Archipelago in the World

- Honolulu → Los Angeles 2560 Miles
- Honolulu → Phoenix 2911 Miles
- Honolulu → Chicago 4248 Miles
- Honolulu → Tokyo 4096 Miles

Corrections Is a State Function

- **Department of Public Safety**
 - Corrections Division
 - Institutions Division

Institutions Division

- **Manages community correctional centers (jails)**
 1. O'ahu
 2. Hawai'i
 3. Maui
 4. Kaua'i

Institutions Division

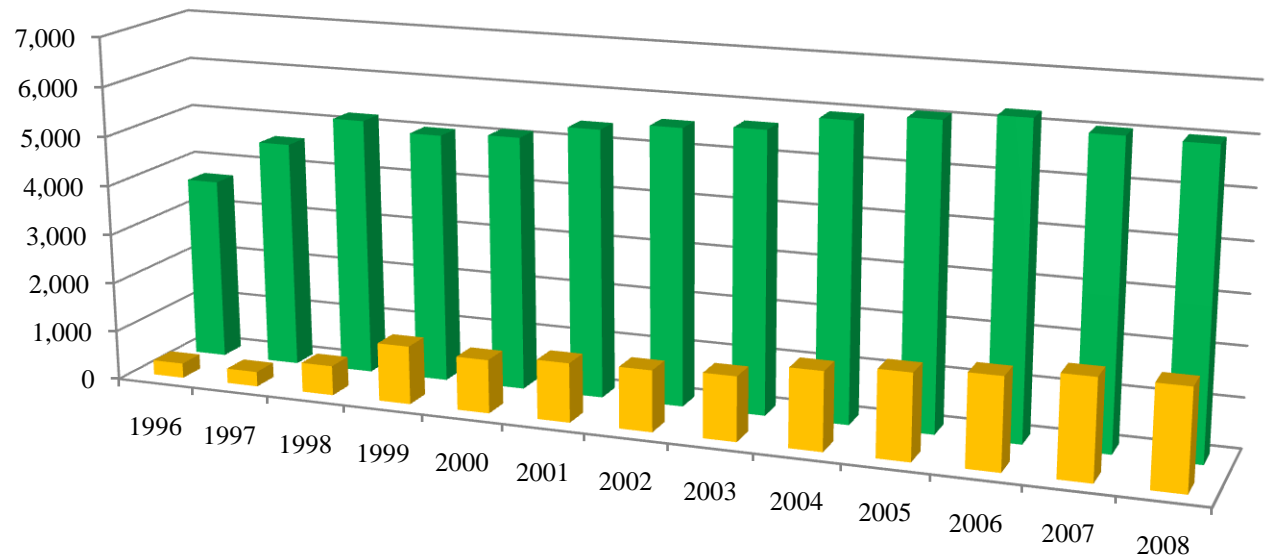
➤ **Manages prisons on O‘ahu**

1. Hālawā
2. Waiawā
3. Women’s Community
Correctional Center

Mainland/FDC Branch

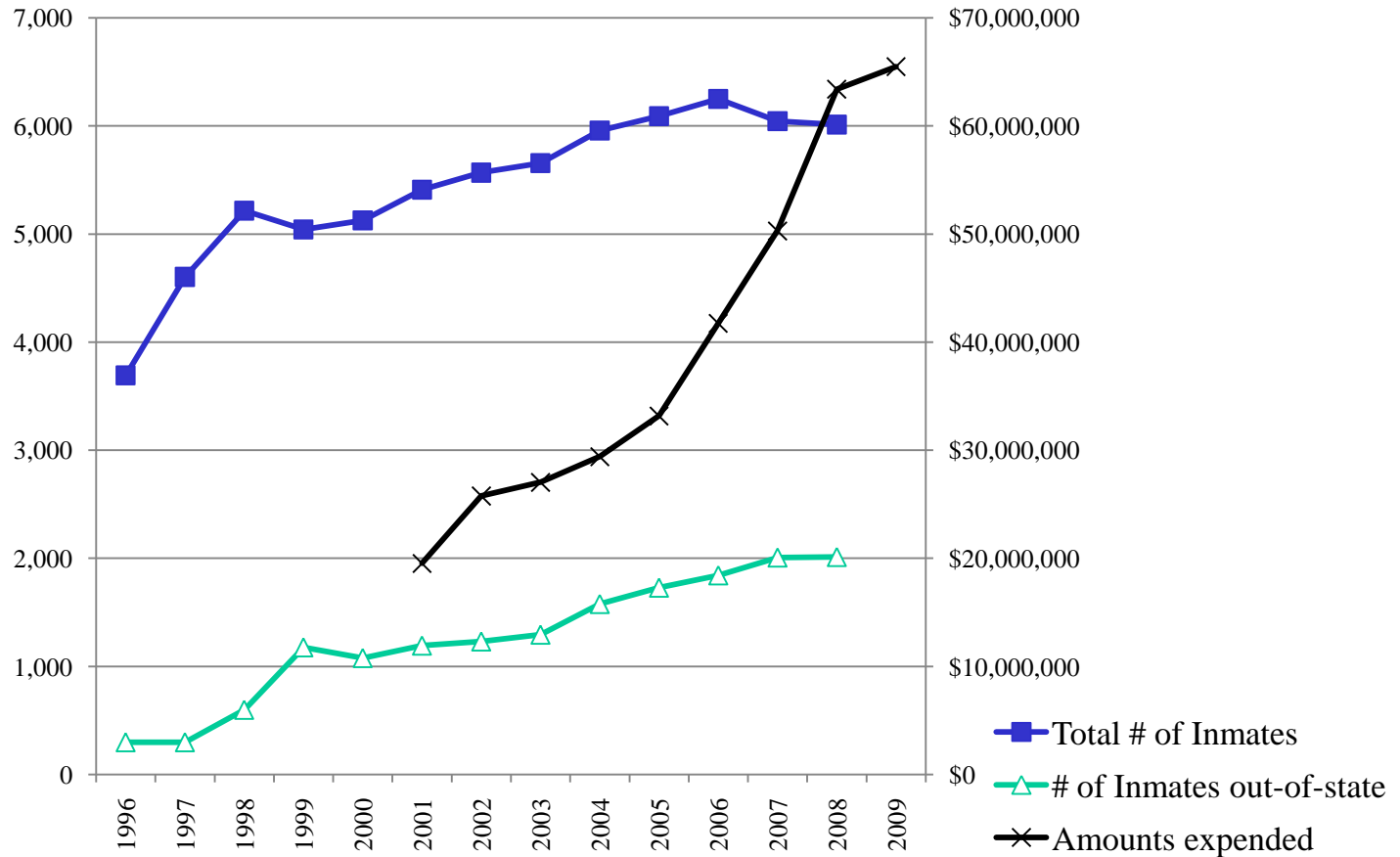
- Created in November 2004
- Oversees state contracts with private prisons and Federal Detention Center (FDC)
- Provides basic needs of prison inmates

All Inmates v. Out-of-State Inmates



- # of Inmates out-of-state
- Total # of Inmates

Growth of Inmate Population and Related Expenditures

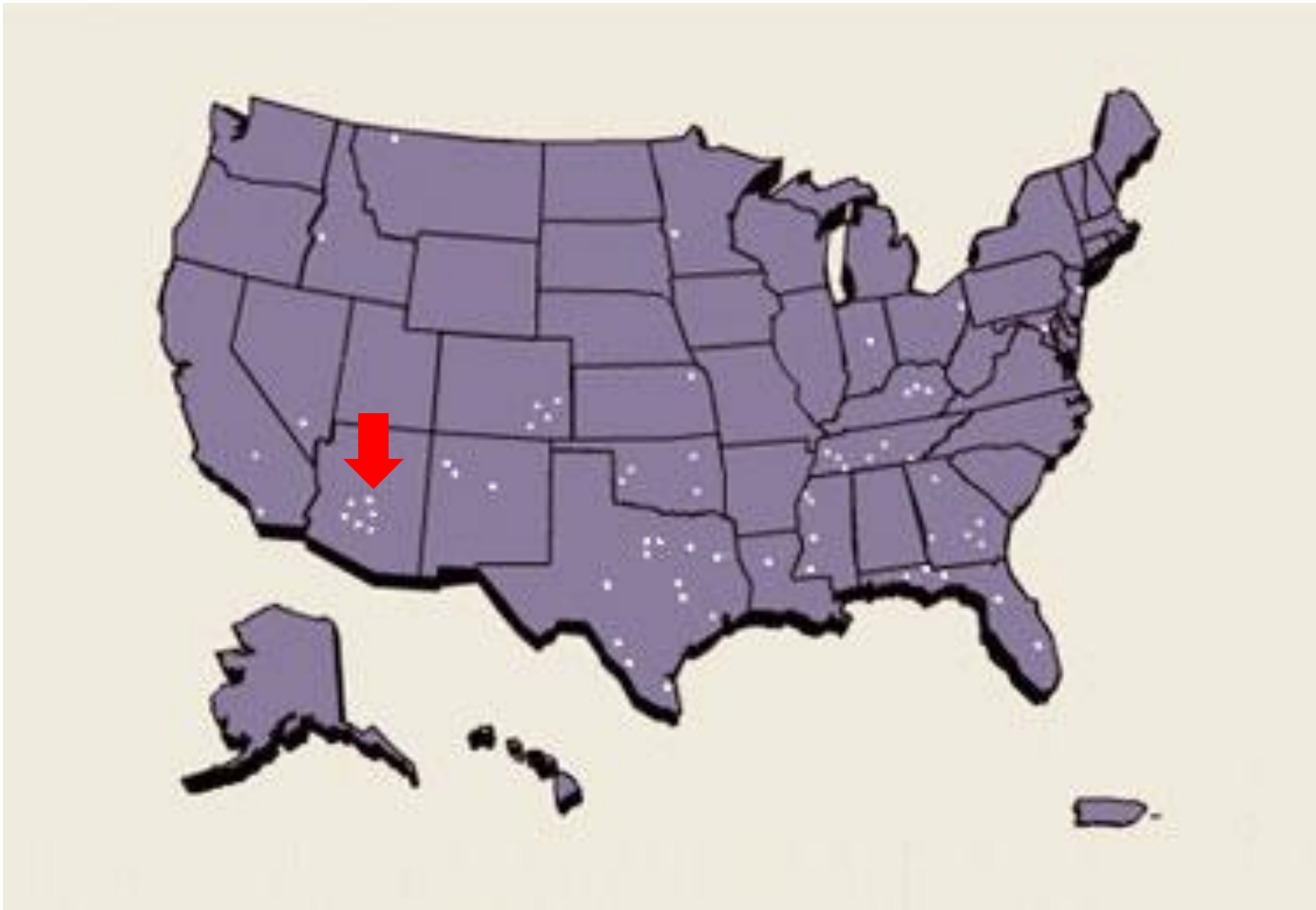




CORRECTIONS CORPORATION OF AMERICA

- Provides correctional needs for federal, state, and local governments
- Operates 65 correctional and detention facilities
- Hawai'i contracts with CCA to address prison overcrowding

CCA Facility Locations





CORRECTIONS CORPORATION OF AMERICA

- Medium security male inmates
 - Red Rock (AZ) 55
 - Florence (AZ) 2
 - Saguaro (AZ) 1883
 - Total 1940
- Price per inmate per day: \$61.68



Federal Detention Center, O'ahu

- Hawai'i contracts with FDC to address prison overcrowding
- Approximately 400 inmates
 - Males 300
 - Females 100
- Price per inmate per day: \$89.18

Audit Objectives

1. Evaluate the department's data relating to incarceration costs.
2. Assess the department's efforts to procure and administer contracts for prison beds and services.
3. Make recommendations as appropriate.

Scope and Methodology

- Audit period: July 1, 2006 – June 30, 2010
- Fieldwork: July – October 2010
- Site visits: Saguaro Correctional Center (AZ) and Hālawā Correctional Facility (HI)

Summary of Findings

1. Long-term solutions for prison overcrowding cannot be addressed since true incarceration costs are unknown.
2. In *partnership* with its vendor, the department circumvented the procurement process and ignored oversight responsibility for out-of-state contracting.

#1: True Incarceration Costs Unknown

- **DPS reports misleading cost data**
 - 3 categories:
 1. In-state facilities
 2. Out-of-state facilities
 3. Federal Detention Center (O'ahu)

#1: True Incarceration Costs Unknown

- **Costs based on non-comparable data**
 - In-state - operational bed capacity
 - Out-of-state – per diem cost per inmate charged under contract with private prison vendor
 - FDC – per diem cost charged by federal Bureau of Prisons

#1: True Incarceration Costs Unknown

Cost per day:

1. In-state: \$139
2. Out-of-state: \$ 77
3. FDC: \$ 87

Cost Methodology Criteria

Full Cost = Direct Costs + Indirect Costs

- Direct Costs – salaries, materials, equipment, office space
- Indirect Costs – gen'l admin services, research, and technical support; security

DPS Applies Flawed Methodology

In-State Costs = (ALL Jails and Prisons Costs +
Administration, Programs and Medical) /
Operational Capacity

\$139

DPS Applies Flawed Methodology

Out-of-State Costs = (Per Diem + Branch
Admin + Transportation + Medical) / Actual
Inmate Days

\$77

DPS Applies Flawed Methodology

FDC costs = cost per day as billed by Bureau of Prisons

\$87

Issues

- In-state costs reported in total – not segregated by facility or security classification
- Ignores cost driver of ACTUAL inmate days
- Administration costs not allocated to out-of-state or FDC calculations
- Costs not identified or classified accurately

Department fails to utilize available tools

- **Offendertrak** - Installed in 1999
 - Inmate data base system
 - Could provide *accurate and timely information* to plan for correctional facilities *and in handling overcrowding*
 - Not utilized effectively; errors found in report tested

Errors Found in Offendertrak Report

Error Description	# of Errors	Total Record	% of Total Record
Scheduled release date past	280	985	28.4%
No release date	28	985	2.8%
Unclassified for over a year	4	985	0.4%

**Management indifferent to the needs of
policymakers and the public**

- Inmate cost data not used for management decisions
- Funding ensured by State policy to handle overcrowding by sending inmates off-island

#2: Procurement Process Circumvented,
Oversight Responsibility Ignored

- DPS contracting efforts manipulated to favor vendor's interests
 - Contract safeguards fail to protect State's interests
 - CCA selected as vendor of choice

#2: Procurement Process Circumvented

- Misuse of procurement exemption benefits vendor
- DPS applies exemption for government-to-government transactions to vendor
 - Vendor CCA as City of Eloy's agent is a fiction

#2: Procurement Circumvented Process

“[The procurement exemption for government to government transactions] ... may be utilized to enter into an agreement limited to governmental entities, and does not include a private entity, in this CCA.”

--Hawai‘i Chief Procurement Officer

Weak Control Environment

- Operational staff ill-prepared to contract for private prison beds and services
- Management's lack of policies and procedures hampers effective contract administration

Weak Control Environment

- DPS officials have not decided how to execute new agreement by end of year
- Contract administrator lacks objectivity when monitoring private vendor
 - DPS over-relies on vendor CCA

Conclusion

- Unless held accountable, DPS has no incentive to perform better
- DPS cannot ensure it has obtained the best value for housing Hawai'i's male inmate population out-of-state

Recommendations

- Improve compilation of cost data by developing a useful calculation based on needs of end users
- Improve contract monitoring by formalizing policies and procedures, reviewing for contract compliance, and completing vendor performance evaluations

Recommendations

- State Procurement Office should temporarily suspend DPS's procurement authority pending proper training and review of policies and procedures

Questions?



Aloha and Mahalo!

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Report Link:<http://www.state.hi.us/auditor/Reports/2010/10-10.pdf>