Information Brief

Results of a Joint Study by the Auditor General and the Office of Program Policy Analysis and Government Accountability

November 2001

AG Report No. 02-096

Improvements Needed in Cost Management For Corrections Health Services and Overtime

STUDY CONCLUSIONS

The Auditor General and OPPAGA jointly reviewed certain Department of Corrections budgetary processes and expenditures pertaining to inmate health services and correctional officer overtime. Our review included Department actions relating to the privatization of Region IV health services. We made the following determinations:

The Region IV Contract

- Legal challenges of the Department’s request for proposals (RFP) and contracting processes delayed implementation of the contract for privatizing Region IV inmate health services into the next fiscal year.
- Estimated cost savings for contract year one of the Region IV privatization total about $2.46 million, based on our comparisons of contracted per diems with the RFP’s per diem estimates.
- The structure of the Region IV health services contract may restrict future efforts to fully evaluate the costs associated with privatizing inmate health services.
- The Region IV health services contract includes many essential monitoring provisions. The Department should develop and provide for legislative consideration an annual funding plan for contract monitoring.
- Delays in finalizing the Region IV health services contract contributed to a Departmentwide increase of $8 million in professional medical services expenditures. Such additional costs appear to counteract any cost savings that may result from the privatization.
- To complement future determinations of cost savings, the Department should track the transportation and security costs related to medical services.

Health Services Budgeting

- Enhancing the population-based budgetary estimates to reflect the influence of other important cost factors would provide a more reliable basis for determining and managing health services appropriations.
- The Legislature should adopt a separate budget category for privatized health services.
- The Department needs to report to the Legislature when unanticipated or extraordinary correctional health costs occur.

Correctional Officer Overtime

- Overtime is a necessary element of Department efforts to provide secure correctional institutions. The Department annually spends about $16 million on correctional officer and correctional probation officer overtime.
- The Department has established new criteria for determining when correctional officers should work overtime, but the criteria’s effect on overtime costs is not yet known.
- The Department has not implemented an automated roster management system, which is essential to the effective management of security staffing, including overtime.
- An incentive program to reward officers who demonstrate good work attendance may help reduce the need for overtime.
- To assist in controlling costs, improvements are needed in Department timekeeping records for correctional officer overtime.
**PURPOSE**

The Legislative Auditing Committee, at the request of the Legislative Budget Commission, directed the Auditor General and the Office of Program Policy Analysis and Government Accountability to jointly review certain Department of Corrections expenditures. This report presents our findings on:

- The Region IV health services contract;
- The influence of the delay of this contract on health services costs;
- The costs of transportation and security for health services;
- Health services budgeting; and
- Correctional officer overtime costs.

**STUDY RESULTS**

**The Region IV Health Services Contract**

The Federal courts have held that when offenders are sentenced to prison, the State becomes responsible for providing them health care. Inmate health care includes physical, dental, and mental health services, from examinations upon admission to prison to routine and emergency care throughout incarceration. Inmates commonly enter prison in poorer health than the general population.

In Chapter 2000-166, Laws of Florida, the Legislature directed the Department to issue a Request for Proposals (RFP) to privatize inmate health services in Region IV. Specifically, the Department was required to “secure one or more private vendors to provide the minimal constitutionally adequate level of health care to inmates at a cost savings when compared to the department’s actual Fiscal Year 1999-2000 health care expenditures.”

In response to this legislative directive, the Department pursued privatization of inmate health services in one of its four regions (Region IV). Contracting for one region will allow the Department to:

- Report to the Legislature cost comparisons for inmate health services provided under both the Department model and the privatization model.
- Evaluate the privatization model to assure that adequate care is provided, a key concern because the Department in 1993 ended 21 years of litigation and oversight of inmate health services stemming from a class action lawsuit that originated in 1972.

Legal challenges of Department actions delayed implementation of the Region IV health services contract into the next fiscal year.

On September 1, 2000, the Department issued a request for proposals (RFP) for privatizing Region IV inmate health services. However, as shown in Table A various legal challenges of the Department’s RFP and contracting processes delayed implementation of the contract until July 2001.

The RFP separated Region IV into two clusters and gave vendors the choice of submitting per diem proposals to provide services for either cluster or both. The two clusters included the following correctional institutions and their related work camps and road prisons:

- East Cluster – Broward, Dade, Everglades, Glades, Martin, Indian River, and South Florida Reception Center.
- West Cluster – Charlotte, DeSoto, Okeechobee, Hardee, and Hendry.

1 OPPAGA recommended this action in *Review of Inmate Health Services Within the Department of Corrections*, Report No. 96-22, November 1996.

The Department received proposals from four companies: Correctional Medical Services, Inc., Physicians Healthcare Plans, Inc., Prison Health Services, Inc., and Wexford Health Sources, Inc. (Wexford). After evaluating and scoring the proposals, the Department selected Wexford for the West cluster and Correctional Medical Services for the East cluster. However, the Department received protests regarding its RFP process that included the following issues:

- For the East cluster, the Department negotiated a contract with a vendor other than the highest-ranking vendor.
- In making its selection decision, the Department applied a “sufficient financial resources” criteria not specified in the RFP.

In developing the RFP, the Department did not make it clear whether performance of the contract would require certification as a health maintenance organization or authorization to act as an insurer.

After considering formal protests of the Department decision, the Florida Division of Administrative Hearings recommended the Department award the contracts for both clusters to Wexford. The Department and Wexford entered a 5-year contract on July 13, 2001.

**Estimated cost savings for contract year one of the Region IV privatization total about $2.46 million.**

As noted above, the legislative expectation is for the Health Services contract to provide the minimal constitutionally adequate level of care to inmates at a cost savings when compared to the Department’s actual health care expenditures for the 1999-2000 fiscal year. As a base for evaluating cost savings, the RFP showed average Department costs of providing health care as $13.24 and $8 per inmate day in the East and West clusters, respectively.

The Region IV health services contract provides that the Department will compensate Wexford monthly at specified per diem rates times the monthly average inmate population. Based on comparisons of the contracted per diems with the RFP’s Department per diems, we estimate that cost savings for contract year one of the Region IV privatization should total about $2.46 million.

**Table B** shows the contracted per diem rates and calculates contract year costs based on each cluster’s monthly average inmate population during the 2000-2001 fiscal year. Estimated contract costs over five years total about $285 million, beginning at $53.7 million for contract year one and growing to $60.5 million for contract year five.
The structure of the Region IV health services contract may restrict future efforts to fully evaluate the costs associated with privatizing inmate health services.

As noted above, for contract year one of the Region IV privatization, the contracted per diems should result in cost savings of about $2.46 million compared to the Department’s actual health care expenditures for the 1999-2000 fiscal year. However, our review of the Region IV health services contract disclosed several matters that may restrict future efforts to fully evaluate the costs associated with privatizing inmate health services.

- The contract specifies a combined per diem for all facilities within each cluster. While this approach provides some contract management and billing advantages, it limits management’s ability to compare costs of medical services between contracted facilities and Department-operated facilities with similar inmate medical populations.3

- The East cluster’s per diem ($12.92 for Year 1) includes the medical costs of the South Florida Reception Center. This limits comparability even further because the Center has distinctive costs associated with the initial screening and classification of new inmates.

- Female inmates represent about 10 percent of the total population to be served by the contract, and about 17 percent of the East cluster population. Health costs for female inmates are generally higher than for male inmates. Without a separate per diem for female inmates, comparisons of the costs for medical services provided to the contracted and Department female populations would be difficult unless the Department requires additional reporting of such costs by the contractor.

- In addition to the contracted per diem, the Department will incur administrative costs for contract management and monitoring. As such costs are not a part of the contract, the completeness of any future cost comparisons will be compromised without additional Department efforts to identify and separate from its overall health services administrative costs the contract-specific management and monitoring costs.

- The employment and compensation of qualified professional medical staff is a significant service level and cost issue for the contractor. As the contract does not mandate contractor staffing levels, unless the Department requires additional reporting of staffing levels and costs by the contractor, determining the influence of personnel costs on any costs savings may not be possible.

### Recommendation

We recommend that the Department take immediate steps to develop a cost comparison methodology for fully evaluating the costs associated with privatizing inmate health services. In those instances where the

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3 As described on page 8, the Department operates four levels of institutions based on the type of inmates housed and their health care needs.
The Department should submit for legislative consideration an annual funding plan for the monitoring processes described in the Region IV health services contract.

An effective quality assurance and monitoring program for privatized health services is essential for assuring the Legislature that the contractor is fulfilling the State’s legal obligation to provide the minimal constitutionally adequate level of health care to inmates. We found that the Region IV health services contract includes many essential monitoring provisions.

For example, the Region IV health services contract specifies that the vendor will meet all Federal, State, and Department legal and professional medical requirements; maintain accreditation; and be subject to comprehensive reviews by the Correctional Medical Authority, the Department’s Internal Audit Section, and the Department’s Inspector General.5,6

Currently, the Department has assigned six health services positions to the Region IV monitoring function. These positions are responsible for making on-site visits to each of the contracted facilities. Initial Department monitoring efforts have disclosed significant contractor noncompliance in several clinical areas (reviews of Everglades CI and Charlotte CI completed on October 18 and 30, 2001, respectively).

These initial findings demonstrate the importance of properly funded monitoring processes for the Region IV contract; however, the Department has not yet prepared a plan for ensuring the availability of adequate funding.

**Recommendation**

An effective quality assurance and monitoring program for privatized health services is essential. Accordingly, we recommend the Department develop and provide for legislative consideration an annual funding plan for contract monitoring.

**Contract Delays and Increased Professional Health Services Expenditures**

Delays in finalizing the Region IV health services contract contributed to a Departmentwide increase of $8 million in professional medical services expenditures.

Because legal challenges to Department actions delayed implementation of the Region IV health services contract (See Table A, page 3.), the Department had to continue providing services longer than expected. This delay contributed to a Departmentwide increase of $8 million in professional medical services expenditures for the 2000-01 fiscal year.

Table C shows, by fiscal quarter, the increase in the Department’s professional medical services expenditures over the past two years.

One reason for Region IV’s higher expenditures was its use of contracted medical services to cover staffing losses as Department personnel took other jobs in anticipation of losing theirs due to privatization. The expenditures also reflect shortages in available medical professionals and the resulting high wages, as both Florida and the nation are experiencing a nursing shortage. In reviewing the extent of the staffing losses, we noted that Region IV’s gross salary expenditures for health services staff declined $1.58 million (10.5 percent) from the 1999-2000 to the 2000-01 fiscal year.

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4 Contract paragraph No. II.D.7.a), Cost Reporting, requires that the contractor provide quarterly reports of its operating costs for each institution.

5 The Correctional Medical Authority, an independent entity housed in the Agency for Health Care Administration, is responsible for monitoring the Department to ensure that it meets constitutional requirements for providing health care.

6 An exception to these requirements is that the vendor has not been required to specify the number of medical staff that will be provided.
To some extent, the Department also addressed staff losses by paying overtime. Table D compares Region IV’s gross salary and overtime expenditures for health services staff for the four most recent six-month periods. Region IV’s overtime expenditures for health services staff grew from $491,400 for the 1999-2000 fiscal year to $638,600 for the 2000-01 fiscal year, an increase of 30 percent.

These additional Region IV costs appear to counteract any cost savings that may result from the privatization. As noted above, estimated cost savings for contract year one of the Region IV privatization total only $2.46 million.

As illustrated in the above tables, the Region IV contract has and will change the number of authorized and filled health services positions and the level of expenditures from several appropriations categories. In the proviso language of Chapter 2000-166, Laws of Florida, the Legislature stipulated:

“Within 60 days of the closing period for responses to the RFP, DOC shall notify the Executive Office of the Governor; the Chairs of the Senate Committees on Budget and Criminal Justice; and the Chairs of the House Fiscal Responsibility Council and Committee on Corrections of its intent to award a contract for the provision of health care services and submit a budget amendment placing the appropriate positions in reserve and transferring funds to the proper appropriation categories in accordance with the provisions of Chapter 216, Florida Statutes. A contract shall not be executed until the funds have been transferred.”

The Department could not meet the 60-day notification and budget requirement due to the delays in finalizing the contract. However, with the Region IV contract in place for the 2001-02 fiscal year, the Department needs to present for Legislative Budget Commission consideration a budget amendment. An amendment could clarify that the
Contract Year 1 costs of about $53.7 million are payable from some appropriations category other than salaries and benefits and reestablish the proper salaries and benefits appropriations and health services positions after contract transition for the Region IV facilities.

**Recommendation**

In the spirit of the authorizing law, we recommend the Department immediately submit to the Legislative Budget Commission a detailed budget amendment for the 2001-02 fiscal year transferring funds to the proper appropriation categories and clarifying the appropriate number of needed medical services positions. In compiling the budget amendment, the Department should provide for legislative review an estimate of the health services per diem for the inmate populations to be served by the appropriations not allocated to the Region IV contract.

**Transportation and Security for Health Services**

To complement future determinations of cost savings, the Department should track the transportation and security costs related to medical services.

Often, inmates need specialized medical treatment or crisis mental health care, and the Department routinely transports them throughout the State to receive medical services. Whenever possible, the Department sends inmates to its hospital for treatment because it is a more economical and safer location for treatment. The Department transports inmates who require care not readily available within the prison system to community physicians or hospitals for treatment. When necessary, the Department obtains emergency care through the closest hospital emergency room and, for mental health emergencies, its three mental health crisis centers.

Providing transportation and security for medical transfers usually requires two or more officers to be assigned to this duty for several hours, especially for transfers of inmates in crisis or long-distance transfers. These transportation and security costs, which are attributable to the Department’s health care system, are not routinely captured or quantified by the Department’s timekeeping and accounting systems. Therefore, the total cost of delivering medical care to the Department’s inmates is understated.

Under the terms of the Region IV health services contract, the Department is responsible for routine transportation of inmates. However, the contractor is responsible for all costs of emergencies, including air ambulance and land ambulance transportation.

**Recommendation**

Transportation and security for medical services are significant costs that should be appropriately managed and budgeted. Accordingly, we recommend the Department revise its timekeeping and accounting systems to routinely capture appropriate information on inmate medical transportation costs, including transports of inmates served by the Region IV health services contract. We also recommend consideration of such costs when estimating future health services costs, as discussed in the following section.

Pursuant to proviso language in the 2001-02 General Appropriations Act, the Department is required to semi-annually report to the legislative appropriations committees sufficient inmate transportation information to allow for the examination and evaluation of options to outsource inmate transportation services. In meeting this proviso, we recommend the Department separately report information related to medical transports of inmates served by the Region IV health services contract.

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7 The Department operates a 157-bed hospital at the North Florida Reception Center and a mobile surgical unit.

8 Review of the Department of Corrections, OPPAGA Report No. 00-23, December 2000.
Health Services Budgeting

The Department should enhance its population-based budgetary estimates to reflect the influence of other important cost factors for inmate health services.

To aid legislative efforts to control costs, appropriations for Department operations, including correctional managed health care, are based primarily on prior expenditures, adjusted for the estimated inmate population. Considering other cost factors, such as the differing costs to care for inmates at each medical level; regional cost variations; infectious disease and prescription drug costs; and medical price index trends, would enhance these annual cost estimates.

Exhibits A and B summarize recent appropriations to, and expenditures by, the Department’s Office of Health Services. The appropriations reflect budgetary estimates of annual inmate health care costs. As illustrated in Table E, the Legislature has, over the last two years, acted to control costs by reducing health services positions.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Positions</th>
<th>Appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Change</td>
</tr>
<tr>
<td>1999-2000</td>
<td>2,654</td>
<td>$225,984,594</td>
</tr>
<tr>
<td>2000-2001</td>
<td>2,016</td>
<td>-24.04%</td>
</tr>
<tr>
<td>2001-2002</td>
<td>1,959</td>
<td>-2.83%</td>
</tr>
<tr>
<td>2-Year Change</td>
<td>-26.19%</td>
<td>9.64%</td>
</tr>
</tbody>
</table>

Source: General Appropriations Acts.

The Criminal Justice Estimating Conference estimates end-of-month inmate populations as part of the appropriations process. Based on the average of the estimated end-of-month populations, the inmate population subject to Department health care is expected to be 69,138 for the 2001-02 fiscal year. Based on this estimated population, the legislative allocation for the 2001-02 fiscal year represents an annual health services cost of $3,584 per inmate, or a health services per diem of $9.82.9

While the number of inmates that will require health care should weigh significantly in the annual budgetary estimates, we believe that enhancing population-based cost estimates to reflect the influence of other important factors would provide a more reliable basis for determining and managing health services appropriations. Other cost factors that could be included are discussed below.

Level of Care - The Department’s recent health care consolidation plan, completed at legislative direction in the 2000-01 fiscal year, could be used to further refine health care cost projections. The plan consolidates inmates by disease, illness acuity, and medical complexity (for example, placing active HIV/AIDS inmates in one location) and creates four levels of institutions, based on the type of inmates housed and their health care needs.

- **Level 1** - Offenders with minimal, or no health care problems.
- **Level 2** - Offenders who are stable, but with chronic health care problems such as hypertension, well-controlled diabetes, or amputees who require wheelchair.
- **Level 3** - All medical grades including complex health care problems. Generally sick offenders with chronic physical or mental problems requiring a high level of care.
- **Level 4** - Offenders with complex health care problems. Medical staff at these locations serve as gatekeepers for community-provided services.

Consolidating inmates by level of care provides opportunities for cost savings since institutions housing inmates with lesser health care needs may employ fewer medical staff, spend less on prescription drugs, etc. This differentiation has not yet been incorporated into cost estimates.

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Regional Cost Differences – For many reasons, the cost of health care can vary between Department regions. For example, the availability and compensation of qualified professional medical staff varies throughout the State. Information on such regional cost differences may be useful for projecting future health care costs. Also, the privatization of health care in Region IV allows comparisons of the costs of privatized health services with the costs of Department-provided services in other regions. To conduct such comparisons, the Department would need to track health care costs by region, including information on transportation and security costs for health care as discussed above.

Infectious Diseases and Prescription Drugs - In correctional health care, infectious diseases and prescription drugs are significant cost factors. In recognition of their effect, the Legislature established a separate budget entity for infectious diseases and several separate appropriation categories for prescription drugs. Increased specificity of information about infectious diseases and prescription drugs can be used to improve cost projections.

Medical Price Indexes - The costs of medical services, whether provided by government or the private sector, respond to demographic changes and inflationary factors quite differently than do other consumer costs. As a result, medical services costs are tracked by separate price indexes. This national health care trend data could provide useful context for assessing and projecting the Department’s health care costs.

Recommendation

We believe enhancing population-based budgetary estimates by incorporating other important factors that influence inmate health services costs would provide a more reliable basis for determining and managing health services appropriations. Accordingly, we recommend the Legislature direct the Department to develop, and submit as a part of its Legislative Budget Request for the 2002-03 fiscal year, health services cost estimates that:

- Stratify the inmate population by medical needs (level of care);
- Reflect cost differences by Department region, including transportation and security costs for medical services;
- Continue to separately track and budget for infectious diseases and prescription drugs expenditures; and
- Use nationally recognized medical price indexes to assess changes in Department health costs.

A separate budget category for privatized health services may provide budgetary and cost management benefits.

As discussed under the subheading The Region IV Contract, one reason the Department contracted with a private vendor to provide health care to the Region IV inmate population was to compare State and private costs for providing inmate health care. Currently, the costs of both Department-provided and privatized health services are combined for budgetary purposes, which will make appropriation and cost comparison more difficult.

For contract year one (2001-02 fiscal year), the Region IV per diems are $12.92 and $7.30 for the East and West clusters, respectively. Based on these per diems and the prior year inmate population for Region IV, year one contract expenditures should be about $53.7 million. This contract expenditure level would leave a 2001-02 fiscal year appropriations balance of $19410 million to fund health services for the remainder of the inmate population.11

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10 Amount not reduced for the Department’s Region IV contract management and monitoring costs.
Recommendation

To facilitate future cost comparisons and per diem calculations, the Legislature should adopt a separate budget category for privatized health services.

The Department needs to report to the Legislature when unanticipated or extraordinary correctional health costs occur.

Historically, the Department has paid for health care costs that exceeded the health services budget by budget transfers, as authorized in statute. However, more recently the Legislature has been working with the Department to budget more accurately for health services, rather than rely on transfers.

One obstacle to this effort is unanticipated or extraordinary health costs. For example:

- In 1997 the State’s HIV/AIDS costs rose by $8 million when the Centers for Disease Control and Prevention (CDC) issued new treatment protocols that the State was required to follow.

- A similar situation may develop in the next few years as the CDC is developing a treatment protocol for the hepatitis C virus. Department management estimated $1.5 million as the cost of vaccinating all incoming inmates for the 2002-03 fiscal year.

An available option for budgeting for unanticipated or extraordinary correctional health costs is a reserve appropriation category. Although a reserve appropriation may commit temporarily some General Revenue moneys needed for other State operations, it would allow the Legislature to acknowledge the potential costs of a new health issue, while restricting the Department’s ability to use the moneys until the funding need is realized.

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Correctional Officer Overtime

Overtime is a necessary element of Department efforts to provide secure correctional institutions.

The Department achieves its security mission by providing correctional officers at its prisons 24-hours-a-day, 7-days-a-week. The Department annually spends about $800 million on correctional officer and correctional probation officer salaries, including $16 million for overtime.

In staffing each prison, the Department develops security post charts, which show the desired security staffing configurations. If sufficient officers do not, due to illness or other absences, report for shift duty to fill certain posts, then each prison is authorized to request, and in some cases require, other officers to work overtime. Officers may also work overtime in emergency situations, such as unrest within the prison, escape attempts, or emergency transportation of inmates for medical reasons. Correctional officers are paid time-and-a-half for overtime.

Historically, the Legislature has not appropriated funds specifically for overtime and the Department has paid overtime from regular salary appropriations or, when necessary, funds transferred from other categories in accordance with law and budget procedures. However, for the 2000-01 fiscal year,

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12 As provided in Section 216.292(3), Florida Statutes, the Department Secretary may make transfers of no more than 5 percent of the original approved budget or $150,000, whichever is greater, either between appropriation categories within the same budget entity or between budget entities within identical appropriation categories.

13 Section 216.292(5), Florida Statutes.
the Legislature made a separate appropriation of $5.9 million for overtime, which was much less than prior year overtime payments. Actual overtime payments for the year totaled $15.9 million, as the Department paid $10 million in overtime from regular salary appropriations.

**Table F** summarizes, by Department region, the total officer salaries and overtime paid for the 1999-2000 and 2000-01 fiscal years. While correctional officer overtime decreased slightly last year, correctional probation officer overtime increased by 66 percent.14

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<tbody>
<tr>
<td></td>
<td>Gross Employer Salaries</td>
<td>Gross Employer Salaries</td>
</tr>
<tr>
<td></td>
<td>Regular</td>
<td>Overtime</td>
</tr>
<tr>
<td>Correctional Officers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Region I</td>
<td>$159,917,400</td>
<td>$1,090,100</td>
</tr>
<tr>
<td>Region II</td>
<td>187,608,800</td>
<td>2,790,900</td>
</tr>
<tr>
<td>Region III</td>
<td>124,979,100</td>
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</tr>
<tr>
<td>Region IV</td>
<td>138,215,900</td>
<td>5,414,200</td>
</tr>
<tr>
<td>Other</td>
<td>8,328,100</td>
<td>322,900</td>
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<tr>
<td>Total</td>
<td>$619,049,300</td>
<td>$14,201,500</td>
</tr>
<tr>
<td>Overtime Percentage</td>
<td>2.29%</td>
<td>1.85%</td>
</tr>
</tbody>
</table>

| Correctional Probation Officers | | | | |
| Region I     | $18,329,100 | $135,800 | $16,831,800 | $202,500 |
| Region II    | 20,284,500 | 196,800 | 16,296,300 | 362,500 |
| Region III   | 54,418,200 | 1,222,500 | 57,100,600 | 1,737,400 |
| Region IV    | 48,696,500 | 917,900 | 49,075,700 | 1,825,000 |
| Other        | 752,700 | 11,800 | 54,700 | 400 |
| Total        | $142,481,000 | $2,484,800 | $139,359,100 | $4,127,800 |
| Overtime Percentage | 1.74% | 2.96% |

* Amounts not identifiable to specific Regions due to various Department reorganizations.

The Department has established new criteria for determining when correctional officers should work overtime, but the criteria’s effect on overtime costs is not yet known.

As illustrated in **Table G**, the Department attempted to substantially limit the use of overtime for a 4-month period during the 2000-01 fiscal year (November 2000 through February 2001). According to Department and union officials, these efforts to limit overtime resulted in insufficient coverage of the prisons, and it was necessary for the Department to again increase the use of overtime in its prisons.

In February 2001, the Department established new criteria for each prison to follow in determining when correctional officers should work overtime. These criteria include the use of mandatory overtime to fill certain critical officer posts and voluntary overtime to fill other essential posts. As established, the policy gives officers notice as to when they may be required to work overtime.

The effect of the new criteria on the amount of correctional officer overtime worked is not yet clear. However, based on the rate of overtime usage during the last four months of the 2000-01 fiscal year, the Department is likely to spend $14 million per year for correctional officer overtime.

**Recommendation**

The Department should closely monitor the effect of the new criteria on both prison security and overtime use and make timely adjustments when appropriate.

**Implementation of an automated roster management system is essential to the effective management of security staffing, including overtime.**

The primary cause of overtime appears to be that officers were absent from duty more frequently than anticipated by the Department’s relief factor. The Department indicated that the main reason for the absences was the time new officers spent in classroom training before being assigned to security posts. As noted in OPPAGA Report No. 00-23, we support a Department proposal to reduce the number of classroom training hours required of new officers. If implemented, the proposed reduction should help moderate the need for overtime.

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14 During the 2000 calendar year, the Department authorized the increased use of probation officer overtime to manage community corrections. The Department has now discontinued the routine use of overtime to manage community corrections. If patterns from the last portion of the 2000-01 fiscal year continue, the annual cost of probation officer overtime will be less than $1 million per year.
Even with reductions in the classroom training hours for new officers, it may be prudent for the Department to begin including the shorter classroom training absences in its relief factor calculation. Adjusting the relief factor in this way would require that the number of correctional officer positions be increased.

While it is reasonable to anticipate that increasing the number of positions would somewhat lessen the need for and use of overtime, we were unable to determine whether the salary dollars needed to fund such positions would result in a direct offset of overtime dollars.\(^\text{15}\) Unfortunately, the Department does not use an automated roster management system that would allow a more precise prediction as to the likely effect of a relief factor adjustment.

We believe that establishing an automated roster management system is of critical importance to the Department’s ability to effectively manage security operations. Without an automated system, the Department has limited capability to evaluate the current status of security staffing at individual institutions and whether overtime is being used in accordance with Department policy. As reported in Auditor General Report No. 01-077, the Department has spent approximately $1.4 million for system implementation, but does not have an operational automated roster management system.

**Recommendation**

The Department should complete implementation of an automated roster management system as soon as is efficiently possible. This project has been in progress for a number of years, and has stalled after preliminary installation of the system in some prisons.

**An incentive program to reward officers who demonstrate good work attendance may help reduce the need for overtime.**

Another possible strategy that could reduce the need for overtime would be for the Department and the Legislature to take steps to reduce the use of leave by correctional officers. Although sick leave and annual leave are benefits provided to these employees, it should be feasible to establish an incentive program to reward officers who demonstrate good work attendance. For example, officers could be allowed to cash out a portion of institutions and whether overtime is being used in accordance with Department policy. As reported in Auditor General Report No. 01-077, the Department has spent approximately $1.4 million for system implementation, but does not have an operational automated roster management system.

**Recommendation**

The Department should complete implementation of an automated roster management system as soon as is efficiently possible. This project has been in progress for a number of years, and has stalled after preliminary installation of the system in some prisons.

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Another possible strategy that could reduce the need for overtime would be for the Department and the Legislature to take steps to reduce the use of leave by correctional officers. Although sick leave and annual leave are benefits provided to these employees, it should be feasible to establish an incentive program to reward officers who demonstrate good work attendance. For example, officers could be allowed to cash out a portion of

\(^\text{15}\) In OPPAGA Report No. 95-28, when the Department was spending almost $10 million per year for overtime, OPPAGA recommended that the relief factor be increased significantly. The Legislature spent almost $6 million to increase the relief factor.
their unused leave each year if their attendance met certain criteria. While such an approach must be negotiated with the correctional officers bargaining unit, we believe that better management of correctional officer attendance is a superior alternative to both increasing the number of officer positions and paying high levels of overtime.

Recommendation

The Department should explore with the correctional officer bargaining unit the prospect of establishing an attendance incentive for correctional officers prior to the 2003-04 budget cycle.

To assist in controlling costs, improvements are needed in Department timekeeping records for correctional officer overtime.

Recognizing the need to properly track overtime expenditures, including those paid from the separate special category appropriations, the Department has implemented a process for tracking total overtime expenditures. However, the overtime reason codes used in the Department’s timekeeping system have not been descriptive enough to identify the purposes of the overtime charges, thus limiting management’s ability to identify correctional facilities needing remedial actions to limit overtime costs. Beginning February 2001, the Department initiated an expansion of the overtime codes. However, these expanded codes have not been effectively communicated to and utilized by users of the timekeeping system.

Recommendation

We recommend the Department continue to implement expanded overtime reason codes in its timekeeping system. The Department should use information on reasons for overtime and overtime cost to reevaluate planned security staffing levels, the effectiveness of the new overtime criteria, and the appropriate breakeven cost point for staffing levels and expected overtime.

CONCLUSIONS AND RECOMMENDATIONS

The Legislature directed the Department of Corrections to privatize inmate health services in one Department region (Region IV). The purpose of the contract is to evaluate whether the privatization model will achieve the estimated cost savings, while assuring an adequate level of care to prevent renewed litigation over inmate health services. The expected $53.7 million in per diem payments for contract year one provides estimated cost savings of $2.46 million.

Legal challenges of the Department’s request for proposals and contracting procedures delayed implementation of the contract into the next fiscal year. The delay contributed to a Departmentwide increase of $8 million in professional medical services expenditures for the 2000-01 fiscal year. This increase reflects the use of more expensive temporary medical staff to cover staffing losses and the nationwide nursing shortage. Region IV also used overtime to cover staffing losses. These additional Region IV costs appear to counteract any cost savings that may result from the privatization.

While the contract does provide estimated cost savings, the structure of the contract may restrict efforts to evaluate the costs associated with privatization. We recommend the Department take immediate steps to develop a cost comparison methodology and pursue any contract amendments necessary to require contractor reporting of relevant cost information.

An effective quality assurance and monitoring program for privatized health services is essential, and the Region IV contract contains many monitoring provisions. We recommend the Department provide for Legislative consideration an annual funding plan for contract monitoring.

The Region IV contract affects the number of authorized medical services positions as well as the available budget for Department-provided health care. We recommend that the Department submit a budget amendment to clarify the number of needed
medical services positions and transfer funds to the proper categories. The Department should also provide the Legislature estimated per diem costs for the health care of inmates in the other regions.

Transportation and security for medical services are significant costs that should be appropriately managed. We recommend the Department revise its timekeeping and accounting systems to routinely capture costs associated with medical transport of inmates and also separately track these costs for inmates served by the Region IV contract.

Enhancing population-based budget estimates by incorporating other important factors that influence inmate health services costs would provide a more reliable basis for determining and managing health services appropriations. We recommend the Legislature direct the Department to submit, as part of its Legislative Budget Request for the 2002-03 fiscal year, health services cost estimates that: a) stratify the inmate population by medical needs (level of care); b) reflect cost differences by Department region, including transportation and security costs for medical services; c) separately track and budget for infectious diseases and prescription drugs expenditures; and d) use nationally recognized medical price indexes to assess changes in Department health costs. Also, to facilitate future cost comparisons and per diem calculations, the Legislature should adopt a separate budget category for privatized health services.

When unanticipated or extraordinary correctional health costs occur, we recommend the Department report to the Legislature and the Legislative Budget Commission so that funding options can be timely pursued. For known extraordinary items, such as the treatment protocol for the hepatitis C virus, the Department should consider providing for the Legislature’s deliberation a reserve appropriation amount, with use thereof subject to approval of the Legislative Budget Commission.

Overtime is a necessary element of Department efforts to provide secure correctional institutions. To keep overtime expenses in check, the Department has established new criteria for determining when correctional officers should work overtime. The Department should closely monitor the effect of the new criteria on both prison security and officer overtime and make adjustments as appropriate.

To assist in managing overtime, the Department should complete implementation of its automated roster management system. This project has been in the works for a number of years and has stalled after preliminary installation of the system in some prisons.

Another possible strategy that could reduce the need for overtime would be for correctional officers to reduce the use of leave. The Department should explore with the correctional officer bargaining unit the prospect of an attendance incentive.

We recommend the Department continue to implement expanded overtime reason codes in its timekeeping system. The Department should use information on reasons for overtime and overtime cost to reevaluate planned security staffing levels, the effectiveness of the new overtime criteria, and the appropriate breakeven cost point for staffing levels and expected overtime.

The Auditor General and OPPAGA conducted this joint project in accordance with applicable auditing and evaluation standards. The report can be obtained by telephone (850 487-9024); by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450); through OPPAGA’s Florida Monitor (http://www.oppaga.state.fl.us); or on the Auditor General Web site (http://www.state.fl.us/audgen).

John Turcotte, Director, OPPAGA
Contact: D. Byron Brown, Chief Legislative Analyst (brown.byron@oppaga.state.fl.us or 850/487-9215).

William O. Monroe, CPA, Auditor General
Contact: L. R. Weathermon, Audit Manager (lrweathermon@aud.state.fl.us or 850/488-9113).
### Department of Corrections

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<thead>
<tr>
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<tr>
<td></td>
<td>Positions</td>
<td>General Revenue Trust Funds</td>
<td>Positions</td>
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<td><strong>Inmate Health Services</strong></td>
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<td>$94,108,550 $</td>
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<tr>
<td>Salaries and Benefits</td>
<td>1,947</td>
<td>$94,108,550 $</td>
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<td>Other Personal Services</td>
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<td>1,637,743</td>
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<td>Expenses</td>
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<td>-</td>
<td>9,918,987</td>
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<tr>
<td>Treatment of Inmates - Infectious Disease Drugs</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>$33,502,578</td>
<td>$1,048,706</td>
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<td>Treatment of Inmates - Infectious Disease Drugs</td>
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<td><strong>Total Infectious Diseases</strong></td>
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<td>$33,502,578</td>
<td>$1,048,706</td>
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<td>$1,048,706</td>
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<td>$227,117,537</td>
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<td>1,132,943</td>
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<td>0.50%</td>
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<td>9.64%</td>
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<tr>
<td><strong>2-Year Percent Change</strong></td>
<td>21,777,705</td>
<td>-</td>
<td>9.64%</td>
</tr>
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<td><strong>Positions / Salaries and Benefits</strong></td>
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<td>$94,466,897</td>
<td>2,016</td>
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<td>(57)</td>
<td>3,832,634</td>
<td>(638)</td>
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<td>Percent Change</td>
<td>-2.83%</td>
<td>4.23%</td>
<td>-24.04%</td>
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<td><strong>2-Year Change</strong></td>
<td>(695)</td>
<td>(35,828,514)</td>
<td>-26.19%</td>
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<tr>
<td><strong>2-Year Percent Change</strong></td>
<td>-26.19%</td>
<td>-27.50%</td>
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<td><strong>Other Health Services Appropriations</strong></td>
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<td>-</td>
<td>$136,483,274</td>
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<td>12.32%</td>
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<td>42.63%</td>
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<td><strong>2-Year Change</strong></td>
<td>57,606,219</td>
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<td>60.20%</td>
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<tr>
<td><strong>2-Year Percent Change</strong></td>
<td>57,606,219</td>
<td>-</td>
<td>60.20%</td>
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### Exhibit B - Health Services Appropriations, Budget Amendments, and Expenditures
**For the 1999-2000 and 2000-2001 Fiscal Years**

<table>
<thead>
<tr>
<th>Health Services Appropriations</th>
<th>Legislative Budget Request</th>
<th>Appropriations</th>
<th>Increases</th>
<th>Decreases</th>
<th>Final Budgets</th>
<th>Expenditures</th>
<th>Variances</th>
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<tbody>
<tr>
<td><strong>General Revenue Fund - 1999-2000 Fiscal Year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td><strong>Inmate Health Services</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Salaries and Benefits</td>
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<td>$129,901,954</td>
<td>$3,193,630</td>
<td>$26,804,340</td>
<td>$106,237,250</td>
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<td>Other Personal Services</td>
<td>-</td>
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<td>81,887</td>
<td>-</td>
<td>1,719,630</td>
<td>1,719,626</td>
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<td>Expenses</td>
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<td>309,093</td>
<td>-</td>
<td>6,490,970</td>
<td>6,490,716</td>
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<td>Operating Capital Outlay</td>
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<td>276,921</td>
<td>25,000</td>
<td>-</td>
<td>301,921</td>
<td>294,087</td>
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<td>Lump Sum - CJEC Inmate Population Increase</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>Risk Management Insurance</td>
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<td>1,619,324</td>
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<td>1,941,259</td>
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<td>Inmate Health Services</td>
<td>104,513,113</td>
<td>85,823,246</td>
<td>32,139,519</td>
<td>-</td>
<td>117,962,765</td>
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<td>Treatment of Inmates - General Drugs</td>
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<td>-</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Treatment of Inmates - Psychotropic Drugs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Treatment of Inmates - Infectious Disease Drugs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Inmate Health Services</td>
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<td>225,441,065</td>
<td>36,017,070</td>
<td>26,804,340</td>
<td>234,653,795</td>
<td>234,302,052</td>
<td>351,743</td>
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<tr>
<td><strong>Treatment of Inmates with Infectious Diseases</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| General Revenue Fund - 2000-2001 Fiscal Year | | | | | | | |
| Inmate Health Services | | | | | | | |
| Salaries and Benefits | $121,714,233 | $90,276,888 | $11,180,716 | $944,685 | $100,512,919 | $100,438,592 | 74,327 |
| Other Personal Services | 1,637,743 | 1,637,743 | - | - | 1,637,743 | 1,637,743 | - |
| Expenses | 6,166,382 | 7,366,382 | - | - | 7,366,382 | 7,366,382 | - |
| Operating Capital Outlay | 276,921 | 276,921 | - | 121,586 | 155,335 | 155,334 | 1 |
| Lump Sum - CJEC Inmate Population Increase | - | - | - | - | - | - | - |
| Risk Management Insurance | 1,941,259 | 1,941,259 | 669,649 | - | 2,610,908 | 2,610,908 | - |
| Inmate Health Services | 99,260,156 | 65,676,418 | 31,999,863 | - | 121,586 | 155,335 | 155,334 | 1 |
| Treatment of Inmates - General Drugs | 16,099,398 | 3,354,620 | 12,744,778 | 12,744,778 | - | - | - |
| Treatment of Inmates - Psychotropic Drugs | 9,918,987 | 584,929 | - | 10,503,916 | 10,503,916 | - | - |
| Treatment of Inmates - Infectious Disease Drugs | 27,966,581 | 88,097 | 22,759,680 | 22,759,680 | - | - | - |
| Total Inmate Health Services | 230,996,694 | 193,193,996 | 34,355,187 | 4,420,891 | 223,128,292 | 223,053,964 | 74,328 |
| **Treatment of Inmates with Infectious Diseases** | | | | | | | |
| Total - 2000-2001 Fiscal Year | $230,996,694 | $193,193,996 | $34,355,187 | $4,420,891 | $223,128,292 | $223,053,964 | $74,328 |
| **Change - 1999-2000 to 2000-2001 Fiscal Year** | $(14,740,047) | $226,729,377 | $(34,443,284) | $15,284,689 | $245,887,972 | $245,813,644 | 74,328 |

Source: Auditor General analysis of Health Services’ LBRs; LA S/PBS data, including budget amendments; and FLAIR expenditure data.
November 21, 2001

Mr. William O. Monroe, CPA
Auditor General
111 West Madison Street
Claude Pepper Building
Tallahassee, FL 32301

Mr. John W. Turcotte, Director
Office of Program Policy Analysis and Government Accountability
111 West Madison Street, Room 312
Claude Pepper Building
Tallahassee, Florida 32301

Dear Mr. Monroe and Turcotte:

We appreciate the opportunity to respond to the preliminary Joint Study on the Corrections Health Services and Overtime issues. The Department certainly concurs with the recommendations listed in your report. Below we list each recommendation and our response, in brief.

Recommendation: The Department should develop a cost comparison methodology for evaluating costs associated with privatizing inmate health services and pursue any contract amendments necessary to require the contractor reporting of relevant cost information.

The Department concurs with this recommendation. As noted in the report, the health services contract currently requires the vendors submit quarterly reports detailing operating costs for each institution.

Recommendation: The Department should submit for legislative consideration an annual funding plan for the monitoring processes described in the contract.

The Department concurs with this recommendation due to the fact that our monitoring efforts have disclosed contractor noncompliance in several clinical areas.

Recommendation: The Department should submit to the Legislative Budget Commission (LBC) a detailed budget amendment for the 2001-2002 fiscal year transferring funds to
the proper appropriation categories and placing unneeded medical services positions in reserve.

_The Auditor General agreed to modify this recommendation to state ....transferring funds to the proper appropriation categories and clarifying the appropriate needed medical positions. The Department concurs._

**Recommendation:** The Department should provide for legislative review estimated per diem costs for the health care of inmates in other regions.

_The Department concurs with this recommendation. The Department will provide appropriate expenditure reports for legislative review._

**Recommendation:** Revise Department timekeeping and accounting systems to routinely capture costs associated with medical transport of inmates, including transports of inmates served by the Region IV health services contract.

_The Department concurs with this recommendation._

**Recommendation:** The Legislature should direct the Department to submit, as part of the Legislative Budget Request for fiscal year 2002-2003, health services cost estimates that: (a) stratify the inmate population by medical needs (level of care); (b) reflect cost differences by Department region; (c) separately track and budget for infectious diseases and drug expenditures; and (d) use nationally recognized medical price indexes to assess changes in Department health costs.

_The Department concurs with this recommendation. Indeed, the Department tracks the workload and costs specifically stated in this recommendation. In addition, the Department submitted a Legislative Budget Request issue for fiscal year 2002-2003 for the purpose of addressing funding deficiencies in health services based on recognized medical price indexes._

**Recommendation:** The Legislature should adopt a separate budget category for privatized health services.

_The Department has no position on this recommendation._

**Recommendation:** When unanticipated or extraordinary correctional health costs occur, the Department should report to the Legislature and the LBC so that funding options can be pursued in a timely manner. For known extraordinary items, such as the treatment protocol for the Hepatitis C Virus, the Department should consider providing for the Legislature’s deliberation a reserve appropriation amount, with use thereof subject to approval of the LBC.

_The Department concurs with this recommendation._
Mr. William R. Monroe, CPA
Mr. John W. Turcotte, Director
Page 3
November 21, 2001

Recommendation: The Department should complete the implementation of an automated roster management system.

The Department concurs with this recommendation.

The Department is proceeding with the implementation of the Roster Management System (RMS). In late 1996, development of a new RMS was initiated. In mid 1997, a pilot test of the new system was initiated in two institutions, and by mid 1998 the pilot system was installed in 10 institutions. Extensive testing was required due to the potentially life-threatening consequences of errors in manpower planning. In late 2000, RMS operations were suspended pending organizational changes.

The system required for today’s environment includes changing to the utilization of a wide area network (WAN), completion of the technical infrastructure, a WAN capable relational database, and re-engineering to use more efficient web technology that was not planned in the original design. The Department is now re-initiating this project to confirm design requirements and develop a new web-based application to support the RMS. The experiences and achievements made during the extensive pilot will be used to implement a standardized yet flexible system. The application will require approximately 18 months to complete.

It is necessary to clarify that the RMS is a management tool to support manpower decisions while maintaining flexibility and allowing timely oversight of overtime costs. It is primarily intended to provide real time, remote monitoring of staff assignments and utilization.

Recommendation: The Department should explore with the correctional officer bargaining unit the prospect of establishing an attendance incentive for correctional officers.

This recommendation would require coordination between the unions and the Department of Management Services (DMS). Currently, the Department adheres to the current rules regarding attendance and leave. The Department will refer this issue to the appropriate decision entities.

Recommendation: The Department should continue to implement expanded overtime reason codes in its timekeeping system. The Department should use information on reasons for overtime and overtime cost to reevaluate planned security staffing levels, the effectiveness of new overtime criteria, and the appropriate breakeven cost point for staffing levels and expected overtime.

The Department concurs with this recommendation, and is currently developing standard codes for better information.
Mr. William R. Monroe, CPA
Mr. John W. Turcotte, Director
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November 21, 2001

As our responses indicate, the Department concurs with the recommendations reflected in the study. In some instances the Department already has a system or process in place to ensure the implementation of some of these recommendations.

In closing, I would like to thank you for the recommendations offered in the study. The Department certainly welcomes proposals that increase accountability and fiscal responsibility.

If you have any questions, please feel free to Richard Prudom, Deputy Director, Office of the Chief of Staff, at 488-3800.

Sincerely,

Michael W. Moore
Secretary

MWM/tm
cc: Peggy Ball, Chief of Staff
    Richard Dugger, Deputy Secretary
    Richard Prudom, Deputy Director Office of the Chief of Staff
    David Thomas, M.D., J.D., Director of Health Services
    Jerry Vaughan, Director of Institutions
    Fred Schuknecht, Inspector General
    Ralph Kiessig, Director of Workforce Compliance
    Sharon Kraus, Chief, Bureau of Budget & Management Evaluation
    Percy Williams, Chief, Bureau of Human Resources
    Joanne Leznom, Office of Policy & Budget
    Robert Beck, Deputy Staff Director, Senate Appropriations Subcommittee on Public Safety and Judiciary
    Jim Debeaugrine, Staff Director, House Criminal Justice Appropriations