



Office of Program Policy Analysis And Government Accountability

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Director

April 1, 1996

PERFORMANCE AUDIT OF THE GADSDEN CORRECTIONAL INSTITUTION

REPORT ABSTRACT

- The Department of Corrections has not required vendor compliance with the contract.
- The Department has not yet developed procedures for comparing the cost and quality of vendor services with the cost and quality of similar Department services. However, the reported per diem cost for the 1994-95 fiscal year for the state's Jefferson Correctional Institution, the most comparable institution to Gadsden Correctional Institution, was less than the per diem cost for the private prison.

PURPOSE OF REVIEW

Florida Statutes require the Auditor General to conduct a performance audit and report to the Legislature by April 1 of the first year following any contract awarded by the Department of Corrections for the operation of a correctional facility by a private vendor.¹ Additional statutory objectives of the performance audit include:

- Determine whether the Department has adopted rules, monitoring and reporting procedures to ensure vendor adherence to the contract, and determine to what extent the Department and the vendor have complied with the terms of the contract and Florida Statutes; and
- Determine the reasonableness of cost analysis procedures used by the Department for comparing the cost and quality of services provided under the

contract to the cost and quality of similar services provided by the Department; and

- Compare wages and benefits of staff of the private correctional facility with those provided to employees of the Department performing comparable tasks.

Our review included the period beginning when Gadsden Correctional Institution opened in March 1995 and extended through February 1996.

BACKGROUND

Chapter 91-193, Laws of Florida, mandated that the Department of Corrections enter into a contract with a private vendor to construct and operate a correctional facility in Gadsden County, Florida. The law delegated to the Board of County Commissioners of Gadsden County the authority to issue a Request for Proposal. The Department of Corrections contracted with U.S. Corrections Corporation of Louisville, Kentucky, to operate the Gadsden Correctional Institution. The contract was awarded for a five-year period, with a provision for Department discretionary termination after three years.

The contracted cost of constructing Gadsden Correctional Institution was \$13.1 million. At the contracted capacity of 768 inmates, the costs of operation (\$10.8 million) and maintenance (\$0.6 million) for the first year would total \$11.4 million. The bid showed U.S. Corrections Corporation's construction per diem to be 5% less than the Department's comparable cost, and showed the per diem operating cost to be 11.6% less than the Department's comparable per diem costs.

¹ By agreement with the Auditor General, the Office of Program Policy Analysis and Government Accountability is conducting this review.

Gadsden Correctional Institution was designed to house 768 adult male inmates. Shortly before Gadsden Correctional Institution opened, in March 1995, U.S. Corrections Corporation agreed, at the Department's request, to house adult female inmates.

In conducting our audit, we interviewed administrators and staff of the Department of Corrections and Gadsden Correctional Institution, reviewed documentation provided by them, and conducted analysis as necessary, in accordance with appropriate auditing and review standards. We reviewed the audited financial statement and payroll records of the private vendor. We reviewed the monitor's initial and follow-up reports and the private vendor's responses for corrective action. We visited Gadsden, Jefferson, and Bay Correctional Institutions to observe operations and to interview staff for comparison purposes.

LAWS, RULES, MONITORING AND REPORTING PROCEDURES

The Department has adopted rules, monitoring procedures, and reporting procedures for the oversight of the privately operated prison, but has not required the vendor to employ an on-site monitor.

Private prisons can be monitored through two basic means: periodic monitoring and on-site monitoring. Florida Statutes require that the Department appoint a contract monitor who shall document the private vendor's adherence to the contract and compliance with rules, policies, procedures, and performance standards of the Department. The Department has contracted with Monitoring, Marketing, and Consulting, Inc., to provide periodic monitoring services for Gadsden Correctional Institution. The cost of the monitor is to be reimbursed by the private vendor. Although the law does not specify that this monitor must be on-site, Department rules require that the monitor be on-site at the privately operated correctional facility.

Section 944.719(4), F.S., requires the vendor to employ a person who shall monitor all aspects of the private vendor's performance under the contract. However, the Department has viewed the statutory requirement for a monitor to be hired by the vendor as an unintentional duplication by the Legislature.

Private corrections facilities contracted by the Correctional Privatization Commission have both an on-site monitor and periodic monitoring by an independent contracted monitor.² Monitoring, Marketing, and Consulting, Inc., conducted periodic monitoring reviews of Gadsden and the two Commission private facilities and prepared the monitoring instruments for the Department and the Commission. Though the monitoring instruments of the Department and the Commission vary, they both measure adherence to the contract and compliance with rules, policies, procedures, and performance standards. We noted that deficiency rates in December 1995 at the two Commission private facilities (6% to 8%), were about half the deficiency rate (14%) reported for Gadsden Correctional Institution.

Concern raised over accessibility to the private vendor's financial records

Florida Statutes require the private vendor to provide the monitor with access to all data, reports, and other materials that the monitor determines are necessary to carry out monitoring responsibilities. U.S. Corrections Corporation has not provided payroll records to the monitor. However, the payroll records were provided to the Office of Program Policy Analysis and Government Accountability.

Florida Statutes require the monitor to submit a report to the Governor and to the Legislature, by January 1 of each year, that includes a report of the adherence to the contract by the private vendor and its compliance with rules, policies, procedures, and performance standards of the department, and an independently audited financial statement. The monitor submitted the report, dated January 18, 1996, without an independently audited financial statement. The private vendor had not responded to a request from the Department for the audited financial statement as of March 21, 1996.

U.S. Corrections Corporation provided our Office with its audited financial statement for the year ended December 31, 1994. The financial statement period was prior to the Department's contract and outside the scope of our review. Thus, we did not attempt to make any conclusions regarding the company. U.S. Corrections Corporation is a private company, and its Chief Financial Officer stated that they consider the financial records "proprietary," and that the contract does not require annual financial statements to be submitted until July 1996.

² The Correctional Privatization Commission was created by Ch. 93-406, Laws of Florida, for the purpose of contracting for the construction and operation of state correctional facilities.

The continuing financial health and stability of private vendors operating prisons in Florida is of critical interest to the state. Therefore, it is important that the state receive copies of audited financial statements of those vendors, and that a representative of the state be charged with reviewing those statements to determine if there are any concerns that warrant further review of the Corporation's financial status. To best protect the state's interest, the vendor should provide its audited annual financial statements and such other documentation as is necessary to clarify the audited statements. The documentation should include notice of any special financial emergency conditions similar to those listed in Ch. 218, Part V, in reference to local government financial matters. The Department, in its role as contract manager, should review those statements to determine if there are any concerns that require further review of the Corporation's financial status.

The monitor has identified deficiencies in the operation of Gadsden Correctional Institution; however, the Department has not implemented sufficient corrective action procedures to ensure the vendor's adherence to the contract.

The monitor performed reviews of Gadsden Correctional Institution in July and December 1995. In the second monitoring report, the monitor listed areas of improvement as follows:

- Written policies and procedures;
- Personnel administration and personnel files;
- Staff development and training;
- Elimination of 12-hour security shifts;
- Tool control;
- Food service department;
- Safety program and fire drills;
- Maintenance department; and
- Recreation program.

However, the monitor's reports indicated that there were many deficiencies which continued from the July report into the December 1995 monitoring report. Some of the areas of concern in the December 1995 monitoring report included:

- **Uncertified correctional officers** made up approximately 60% of the 142 correctional officer positions, which is contrary to s. 944.714(2), F.S. In July 1995, there were 89 uncertified correctional officers, and in December there were 83 uncertified correctional officers employed, of which 20 were awaiting testing or re-testing, 31 were in school, and 32 were awaiting school.

- **Inmate enrollment in academic and substance abuse programs are substantially below contract requirements.** These programs continued to experience staff turnover (100%), and enrollment difficulties, and there was no education counselor or inmate testing.
- **Inmate idleness** persisted, because inmates were not kept busy by the duties of job assignments. For example, there were 298 inmates assigned as dormitory orderlies in July 1995, and there were 235 inmates assigned in December 1995, when, according to Department standards only 48 inmates were needed for those duties.
- **Equipment and supply shortages** continued into December 1995. Some requisitions shown to the monitors in July remained unfilled in December.
- **Security risks**, which were new problems identified in the second monitoring report in December 1995, included 15 "Reports of Force Used," only one of which had been fully investigated, and two cases in which appropriate and/or timely actions were not taken on inmates in administrative confinement. The Department's Inspector General was not routinely notified of serious incidents after September 15, 1995.
- **Correctional officer turnover** continued through the December monitor's review. Gadsden Correctional Institution data shows 223 total positions and indicates that due to turnover from April 1995 through February 1996, 424 different individuals had held these positions. The monitor stated that the apparent difficulty being experienced in attracting and/or retaining qualified and certified staff would suggest that a review of salaries and benefits is needed. He further stated that the facility cannot develop continuity of operations and program quality until the staff stabilizes. (A comparison of Department and Gadsden Correctional Institution wages and benefits is included later in this report.)

Other than withholding 1% of three monthly payments because of the vendor's failure to hire program staff, the Department has not acted against the vendor for its failure to comply with specific terms of the contract. The contract does not include provisions for the Department to sanction most types of nonadherence or noncompliance with the contract.

The deficiencies noted by the monitor emphasize the lack of effective procedures by the Department to ensure corrective action by the private vendor and to enforce compliance with contract requirements. Monitoring and reporting procedures should effectively ensure that the private vendor adhere to

the contract and comply with rules, policies and procedures, and Department performance standards. The contract lacks provisions for sanctions for nonadherence and noncompliance.

COST AND QUALITY ANALYSIS

The Department failed to comply with statutes when it did not develop cost analysis procedures for evaluating Gadsden Correctional Institution.

Florida Statutes require that prior to renewing a contract, the Department must determine that substantial savings are offered, and that the contract provides for the same quality of services as that offered by the Department. The statute further states that in determining the cost savings, the Department, after consulting with the Auditor General, shall calculate all the cost components that contribute to the inmate per diem, including all administrative costs of central and regional office administration and costs of services provided to the Department by other governmental agencies, and shall include an equivalent cost in the per diem.

The law requires the Auditor General (Office of Program Policy Analysis and Government Accountability) to review the reasonableness of the Department's procedures for comparing the cost and quality of services of the contractor with similar services provided by the Department.

As of February 29, 1996, the Department had not developed procedures to compare the cost and quality of the services of U.S. Corrections Corporation in operating the Gadsden Correctional Institution with similar services provided by the Department, as required by Florida Statutes. The Department has stated that such a comparison is planned for the 1995-96 operating year.

Institutional per diem reported by the Department is incomplete. It does not report all central office and regional administrative costs.

The Department has identified Jefferson Correctional Institution as the state institution most comparable to Gadsden Correctional Institution. The Department reported a per diem of \$36.70 for Jefferson Correctional Institution for 1994-95. However, that per diem is understated, because:

- It does not include administrative costs of the Department's central and regional office operations; and
- The reported per diem costs for health services, education services, and major institutions

categories do not account for all such costs reported in the 1994-95 annual financial statement of expenditures.

The Department's reported per diem for Jefferson Correctional Institution of \$36.70 for 1994-95 was the lowest in Jefferson's history. The Department reported Jefferson's per diem as \$40.45 for 1993-94, and preliminary data provided by the Department for the first half of 1995-96, indicates the per diem for Jefferson has increased. However, for 1994-95, the Department identified Jefferson as the most comparable to Gadsden, because of its proximity, and similar size and mission during that year.

In the absence of specific cost analysis procedures and data from the Department, the Office of Program Policy Analysis and Government Accountability made a preliminary comparison based on limited, unaudited data provided by the Department. The Department's annual report for the fiscal year ended June 30, 1995, stated a per diem rate of \$36.70 for operating Jefferson Correctional Institution. However, a limited analysis of unaccounted for central and regional office operating costs, and other unaccounted for costs, estimates additional unreported per diem costs of \$3.05. Adding these indirect costs increases Jefferson Correctional Institution's inmate per diem cost to approximately \$39.75.

Gadsden Correctional Institution per diem costs are paid separately to include an operating per diem of \$38.44 paid for actual occupancy, and a maintenance per diem of \$2.30 paid on the full capacity of 768 beds. Data provided by the Department on their cost of providing classification services to Gadsden indicate a per diem of \$1.56 on the full capacity of 768 inmates. Comparatively, the Gadsden Correctional Institution's operating per diem of \$38.44, plus the maintenance per diem of \$2.30, and the classification per diem of \$1.56, results in an effective per diem rate of \$42.30, without allocating any of the \$3.05 Department indirect costs discussed above. For the 1994-95 fiscal year, the Department institution identified as most comparable to Gadsden Correctional Institution reported per diem costs that were approximately 6% below the state's cost for the first year of the Gadsden contract at a capacity of 768 inmates. (See Exhibit 1.) The cost for Gadsden Correctional Institution is substantially below the statewide average for women's institutions. Because Department costs for Jefferson have varied from year to year, it is important that the Department develop its procedures for evaluating the costs of Gadsden.

**Exhibit 1
Preliminary Cost Information
For Comparable Institutions ¹**

Gadsden Correctional Institution	
<i>First Year of Contract (March 1995 - March 1996)</i>	Contract Per Diem Plus Classification Costs
Capacity: 768 (design capacity)	\$42.30
Jefferson Correctional Institution, identified as most comparable	
	Institution Per Diem Including Indirect Costs
Fiscal Year: 1993-94	\$42.93
1994-95	39.75
1995-96 Estimate ²	50.05
Female Institutions	
<i>Statewide Average - 1994-95</i>	\$53.68
¹ If inmate occupancy were increased, the per diem rate would decrease.	
² Estimate is based upon unaudited Department costs for the first eight months of the 1995-96 fiscal year, and includes the same indirect cost per diem calculated for 1994-95 fiscal year.	

Source: Prepared by the Office of Program Policy Analysis and Government Accountability using unaudited cost data reported by the Department.

Some portion of indirect administrative costs could justifiably be allocated to the private facility, because the Department administers the contract, provides inmate classification services and personnel, oversees the health services and educational services, and otherwise has central office and regional office responsibilities for the privately operated facility. However, the exact amount of these administrative costs which could be allocated to the cost of the private corrections facility cannot be accurately determined without detailed cost analysis procedures, which the Department has not performed.

Several factors influence the per diem cost of operating correctional facilities, and can affect comparisons of services or costs. These factors include the size, custody levels, psychological/medical needs, and gender of the inmate population; the security level and geographical location of the facility, and the type and capacity of the programs offered. For example, the contract with Gadsden Correctional Institution provides for a lower per diem rate (\$27.31) for any inmates housed in excess of the original capacity of 768. Corporation officials stated that they could serve up to 1,152 inmates.

Changes in Jefferson Correctional Institution's inmate population may reduce its comparability to

Gadsden Correctional Institution. Jefferson's inmate population for the 1994-95 fiscal year was similar to that proposed for Gadsden: primarily minimum and medium custody with inmates that have relatively low levels of medical or psychological needs. However, after Gadsden opened in March 1995, Jefferson's inmate population began to decrease as inmates were transferred to Gadsden. This lower inmate population caused Jefferson's per diem rate to increase. Subsequently, the Department has increased the placement of close custody inmates and inmates with moderate psychological impairments at Jefferson. With Gadsden taking approximately 700 minimum and medium custody inmates, 95% of which are graded psychologically normal, the Department's facilities, including Jefferson, are left with a larger percentage of higher custody female inmates and inmates with psychological impairments, which causes Jefferson's population to be less comparable to Gadsden.

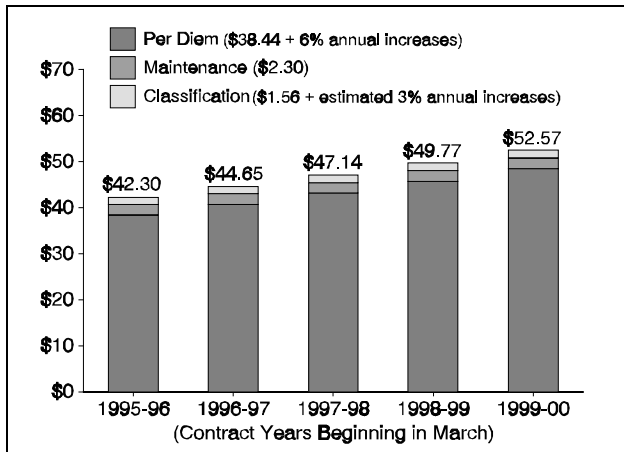
As calculated by the Department, the per diem rate for Jefferson, excluding indirect costs, for the first eight months of the 1995-96 fiscal year, was approximately \$47, or 28% higher than the 1994-95 rate.

The trend of built-in 6% annual increases in contracted private per diem may be costly to the state.

Although Jefferson's per diem rate has ranged from a high of \$57.42 to a low of \$36.70 since 1992-93, the reported statewide per diem rates of the Department's facilities have remained fairly constant. For example, the 1995 reported institutional cost per diem rate for all Department facilities increased 1.4%, and for major institutions increased 3.1% when compared to 1992 per diem rates.

In contrast, the Department's contract for the private operation of Gadsden Correctional Institution calls for operating per diem to increase 6% annually, from the current \$38.44 to \$48.51, over the five-year term of the contract. Additionally, there is the maintenance per diem which is \$2.30, and the Department's per diem cost of \$1.56 for classification services for Gadsden. This trend is illustrated in Exhibit 2. Adding 6% annual increases to the \$10.8 million operations contract with the Corporation would result in an annual operations cost of \$13.6 million for Gadsden Correctional Institution by the fifth year of the contract. This results in \$3.4 million more over the five-year period when compared with a 3.1% annual increase.

**Exhibit 2
Gadsden Contracted Per Diem Trend**



Source: Prepared by the Office of Program Policy Analysis and Government Accountability using unaudited data provided by the Department of Corrections.

Although Gadsden Correctional Institution's programs did not meet contract requirements as of December 1995, they did exceed the level of services provided by the Department's comparable facility.

Florida Statutes require that the contract provide the same quality of service as that offered by the Department. The Department has not developed procedures for comparing the quality of private services with similar Department services.

Although limited output measures are available, the differences in facilities, as noted by the factors listed above, make meaningful comparisons difficult. In the absence of Department procedures to measure and compare the quality of services, we compared output measures for Gadsden and Jefferson Correctional Institutions. We were unable to draw any conclusions from our comparisons regarding the quality of services of the private vendor and the Department facility. Some of the output statistics we reviewed were: the number of inmates attending programs such as academic and vocational education, and substance abuse; and the number of program staff at each institution. Exhibit 3 reports some of the program outputs of each institution. The newness of Gadsden Correctional Institution and the lack of meaningful outcome measures hindered our ability to make meaningful comparisons in the quality of services.

The Department needs to develop procedures to measure and compare the quality of services provided by the private vendor with the quality of similar services provided by the Department. The procedures need to identify or develop performance outcome measures, and to develop data collection

systems to document the outcome performance measures. The Department can use these measures to compare the quality of private vendor services to similar services provided by the Department.

**Exhibit 3
Gadsden Correctional Institution Exceeds
Jefferson Correctional Institution**

Institution Program Comparisons	Gadsden (Private)		Jefferson (Department)	
	No.	%	No.	%
February 1996 ¹				
Inmate Population	<u>727.0</u>	<u>100%</u>	<u>829.0</u>	<u>100%</u>
Program Attendance ²				
Academic Education	70.5	9.7%	40.5	4.9%
Vocational Education	59.0	8.1%	28.0	3.4%
Substance Abuse	88.0	12.1%	25.0 ¹	3.0%
Total	<u>217.5</u>	<u>29.9%</u>	<u>93.5</u>	<u>11.3%</u>
Program Staff	Authoriz ed	Filled	Authoriz ed	Filled
Academic	5	3	2	2
Vocational	4	3	3	2
Substance Abuse	6	5	5	4
Total	<u>15</u>	<u>11</u>	<u>10</u>	<u>8</u>

¹The newly contracted substance abuse program at Jefferson began February 12, 1996. All other staff and attendance data are reported ²for February 9, 1996.

Program attendance data are reported as full-time equivalent inmates, and percentages are of the inmate population.

Source: Prepared by the Office of Program Policy Analysis and Government Accountability from unaudited data reported by each correctional institution.

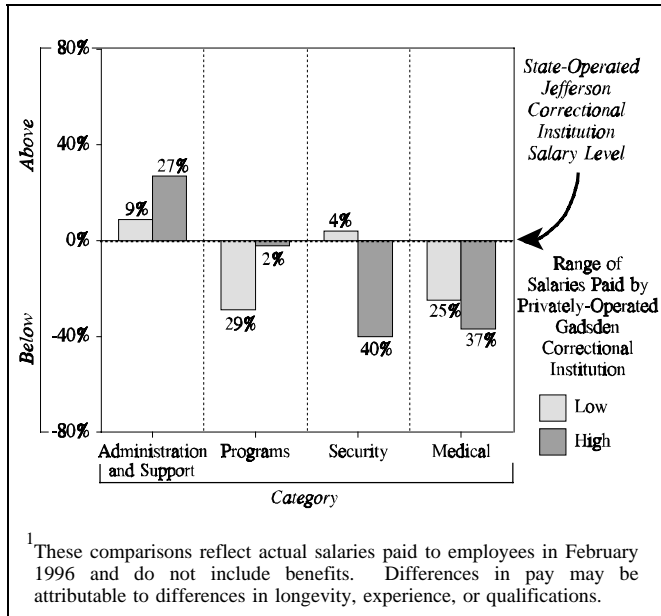
WAGES AND BENEFITS COMPARISON

Department staff wages and benefits exceed those of Gadsden Correctional Institution

Florida Statutes require a comparison of wages and benefits provided to staff of the private correctional facility compared with those provided to Department employees performing comparable tasks.

As discussed in the monitoring section of this report, Gadsden Correctional Institution paid correctional officers less than the Department paid its correctional officers. Effective February 1, 1996, U.S. Correctional Corporation increased the correctional officer's pay plan to be more comparable to the Department. Exhibit 4 shows the results of a comparison of wages paid to administration and support, security, health services, and program staff of Gadsden and Jefferson Correctional Institutions, in February 1996.

Exhibit 4
Gadsden (a Privately-Operated Facility) Paid Lower Wages Than Jefferson (a State-Operated Facility), Except in the Administration Category¹



Source: Prepared by the Office of Program Policy Analysis and Government Accountability from unaudited data provided by U.S. Corrections Corporation and the Department of Corrections.

Benefits provided to the Department's staff generally exceed benefits provided to staff of the private vendor. For example, Department staff receive more annual, sick and holiday leave, pay less for health insurance, and have more life insurance coverage paid for by their employer. However, the Corporation considers its employee stock ownership retirement plan to be a major component of its compensation package. Employees will vest with the Corporation's plan after three years, compared with the ten-year requirement to vest with the state. The Corporation has projected that an employee who works 25 years at an average salary of \$18,000 will accumulate stock valued at approximately \$240,000. Because the value of the Corporation's plan is dependent upon future earnings and growth, it is difficult to quantify a comparison of the state retirement plan and the private vendor employee stock ownership plan. A comparison of staff benefits of the Department of Corrections and Gadsden Correctional Institution are reported in Exhibit 5.

Our review of wages and benefits paid to staff of Gadsden and Jefferson Correctional Institutions show that the private vendor generally provided lower benefits than the Department, and paid lower wages than the Department, except in the administration category.

Exhibit 5
Comparison of Private and State Correctional Officer Benefits

Annual Benefits	Gadsden (Private)		Jefferson (State)	
	Years	Days	Years	Days
Vacation Days (awarded by years of service)	<1	0	0- 5	13
	1	5		
	2- 5	10	5-10	16.25
	5-10	12	over 10	19.50
	10-15	15		
	over 15	18		
Sick Leave	5 days		13 days	
Holidays	6 days		10 days	
Health/Dental Insurance Paid	Single ¹	Family ¹	Single	Family
	-Employee \$260	\$2,860	\$ 312	\$1,123
	Self-insured	Self-insured	\$3,202	\$6,345
Includes Dental	YES ¹	YES ¹	NO	NO
Life Insurance Employer Paid	(Death Benefit) ¹		(Death Benefit)	
	\$15,000		Twice annual salary	
Bonuses	YES Monetary and time off		NONE	
Uniforms	Uniforms supplied No cleaning allowance		Uniforms supplied \$275/year cleaning allowance	
Shift Pay Differentials	Medical unit only		Nurses	
Retirement Plan	Defined Contribution Plan: ¹ Corporation contributes up to 25% of employee's salary to Stock Ownership Plan. Also has 401-K plan. Vesting: 3 years		Defined Benefit Plan: High-risk non-contributory retirement plan (3% per year average of high 5 years salary). Vesting: 10 years Full retirement after 25 years. Deferred compensation plan	

¹ Gadsden Correctional Institution staff must be employed 90 days to participate in health, dental, death, and retirement plan benefit programs.

Source: Prepared by the Office of Program Policy Analysis and Government Accountability from unaudited data provided by Gadsden and Jefferson Correctional Institutions.

RECOMMENDATIONS

We recommend:

- The Department of Corrections should develop procedures for the annual analysis and comparison of the cost and quality of services provided by the private vendor with similar services provided by the Department. The cost analysis should be in accordance with generally accepted cost accounting principles, and the procedures should be developed

in consultation with the Auditor General, as referenced by s. 944.105(1), F.S., to form a basis for assessing whether to renew the contract. The analysis of the quality of services should be based on outcome measures which can be used to demonstrate the relative quality of services provided by the private vendor and the Department, as referenced in s. 944.105(1)(b), F.S. The results of the analysis and comparison should be provided to the Governor and the Legislature annually by January 1st, and the results should be included in the Department's annual report.

- In order to provide ongoing, continuous guidance for adherence to the contract and compliance with the laws, rules, policies and procedures, the Department should require that, in addition to the periodic monitor, Gadsden Correctional Institution have a full-time on-site monitor, as required by Rule 33-32.018, F.A.C., and s. 944.719, F.S.
- At the next opportunity for revision to the contract, the Department should include appropriate sanctions to ensure that the private vendor complies with all provisions of the contract. The Department should also revise contract provisions so that the annual increase provided to the vendor is based upon increases in the state's per diem rates.

We also recommend that the Legislature:

- Review and revise s. 944.719, F.S., to clarify the requirements for an on-site monitor and periodic independent monitoring. We recommend both an on-site monitor and an independent, periodic monitor.
- Amend s. 944.719, F.S., to require vendors operating private prisons to submit to the Department audited annual financial statements with such documentation as is necessary to clarify the statements. Documentation should include notice of emergency financial situations, such as those listed in Ch. 218, Part V, F.S.

RESPONSES TO THIS REVIEW

The Secretary of the Department of Corrections and the Chief Financial Officer of the U.S. Corrections Corporation provided written responses to a draft of our report. The Secretary stated that the originally projected cost savings have not been met by the Gadsden Correctional Institution because the state's cost of operations has not increased at the rate projected. The Secretary stated that the Department intends to prepare a comprehensive cost comparison analysis after the close of the first full fiscal year of contract operations, and to develop performance measures for use in comparing the quality of services. The Secretary also stated that the Department is developing a contract amendment to allow the Department to reduce billings for noncompliance. The Secretary states that the Department has committed considerable time to tracking operational deficiencies, and agrees that having an on-site monitor would be beneficial, and will assign this responsibility to a Department staff member.

The Chief Financial Officer of the Corporation questioned the identification of Jefferson Correctional Institution as the most comparable institution to Gadsden Correctional Institution. He pointed out that the Department did not use Jefferson as a comparable institution when determining the per diem rates for the contract, and that the rate for the 1994-95 fiscal year for Jefferson was abnormally low for institutions for women. He also emphasized that the Corporation was making substantial progress in correcting deficiencies that had been noted in the monitoring reports, and that some of the deficiencies had been the result of conflicting contract requirements. The Chief Financial Officer also stated that OPPAGA's comparisons of the wages and benefits of the Corporation with the state could not reflect the uniqueness and potential value of the Corporation's Employee Stock Ownership Plan.

Copies of both responses and attachments are public records and are available from our office.

This project was conducted in accordance with generally accepted government auditing standards and included appropriate performance auditing and evaluation methods. Copies of this report may be obtained by telephone (904/488-1023), by FAX (904/487-3804), in person (Claude Pepper Building, Room 312, 111 W. Madison St.), or by mail (OPPAGA Report Production, P.O. Box 1735, Tallahassee, FL 32302).

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