




STATE OF MICHIGAN
DEPARTMENT OF CORRECTIONS
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

PATRICIA L. CARUSO
DIRECTOR

DATE: November 26, 2008

TO: Executive Office
Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
House Judiciary Committee
Senate Judiciary Committee
House Appropriations Sub-Committee on Corrections
Senate Appropriations Sub-Committee on Judiciary and Corrections

FROM: Julie Southwick, Office of Risk Management 

SUBJECT: Auditor General's Performance Audit of the Selected Personnel and Administrative Costs

In accordance with the State of Michigan Financial Management Guide Part VII, Chapter 4, Section 100 and Section 420 of P.A. 2007, I am forwarding a copy of the response to the Auditor General performance audit of Selected Personnel and Administrative Costs. The attached response has been accepted by the State Budget Office (SBO).

If you have any questions, please contact me at (517) 335-6886.

Attachment

- c: SBO, Office of Internal Audit Services, Operations Division
 - S. Pike, SBO Analyst
 - G. Manns
 - D. Straub
 - B. Wickman



STATE OF MICHIGAN
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JENNIFER M. GRANHOLM
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DIRECTOR

November 24, 2008

Mr. Bryan Weiler
Support Services Division
Office of State Budget
George W. Romney Building
111 South Capitol, 5th Floor
Lansing, MI 48913

Dear Mr. Weiler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached please find a corrective action plan to address the recommendations contained within the Office of the Auditor General's audit of:

Selected Personnel and Other Administrative Costs

Questions regarding the preliminary summary table or corrective action plans should be directed to Connie MacKenzie, internal audit liaison, at 517-241-7342.

Sincerely,

DEPARTMENT OF CORRECTIONS

A handwritten signature in black ink, appearing to read "Patricia L. Caruso", written over the printed name and title.

Patricia L. Caruso, Director
Attachment
PC/22/cm

c: C. MacKenzie
G. Manns
B. Wickman

**Preliminary Response to the
Performance Audit of the
Selected Personnel and Administrative Costs**

**Selected Personnel and Other Administrative Costs
Department of Corrections
Preliminary Summary of Agency Responses to Recommendations**

A. Findings/Recommendations MDOC complied with:

None

B. Findings/Recommendations MDOC agreed with in part and will comply with by:

1	09/30/2009
2	12/31/2010
3	09/30/2009

C. Findings/Recommendations MDOC disagreed with:

None

Preliminary Response to the Performance Audit of the Selected Personnel and Administrative Costs

1. Custody Staffing

The auditors recommended that DOC improve its administration of custody staffing.

Agency Preliminary Response:

DOC agrees in part with the auditors' finding and continues to improve its administration of custody staffing. The DOC believes that it has been effective in managing costs as the DOC has reduced its costs significantly during the audit period. Information related to these efforts is contained in Exhibits 9 through 11 of the audit report.

Regarding item a., DOC will continue to address hospital coverage, essential special assignments, and transportation coverage by making adjustments to staffing charts. For example, DOC created hospital cadres at various locations in June 2008. These cadres supervise prisoners at the nearby hospitals regardless of which facility sent the prisoner to the hospital, thus reducing travel time and overtime across the department. Also in October 2007, DOC centralized custody transportation. This allows DOC to allocate custody transportation officer positions to regions and facilities where demand for such positions is the greatest, thus reducing overtime across the department.

Regarding item b., DOC facilities monitor the amount of overtime worked by individual custody officers but under current contract language, the DOC cannot prohibit employees from working any given number of overtime hours, consecutive days, or double shifts unless they are determined medically unfit to do so. Also, the report cites 121 custody officers who worked more than 1000 hours of overtime in the fiscal year. This equates to an average of 19 hours of overtime per week; the approximate equivalent of two shifts per week. This amount of overtime is common in any 24 hour/7day a week operation. The report also cites 7 officers in 88 instances where officers worked a double shift within consecutive work days. This equates to an average of 12 instances of double shifts for each of the 7 officers in a one year time period. This frequency is not indicative of excessive overtime. Double shifts are common in any 24/7 operation. DOC employs approximately 8,625 officers. The total number of officers identified in the citations for excessive amounts of overtime (124 officers), represent less than 1.5% of the total workforce of custody officers which is a very small percentage. It is also important to note that overtime is offered and accepted on a voluntary basis in most instances and in accordance with the collective bargaining agreement and Civil Service rules. The DOC will continue to recommend changes to the collective bargaining agreement between the Michigan Corrections Organization and the State of Michigan to provide DOC with greater control and flexibility in the scheduling of overtime and staffing of assignments.

Regarding item c., DOC continues to determine the optimal balance between overtime usage and employing additional custody officers. DOC considers custody staff turnover rates, changes to the demand for beds, and reasons for overtime when it assesses staffing needs. DOC attempts to optimize custody staffing across the department by working with the State

Preliminary Response to the Performance Audit of the Selected Personnel and Administrative Costs

Budget Office through the annual budget process. However, the leading cause of custody staff overtime for FY 2007 was staff vacancies. DOC's ability to maintain full staffing in FY 2007 was affected by many factors such as legislative funding for new employee schools, a state hiring freeze, and holding vacancies open to accommodate staff affected by facility closings and reorganizations. In FY 2008, DOC hired approximately 700 new custody officers to fill vacancies. In FY 2009, DOC plans to hire an additional 540 custody officers. In addition, closure of the Scott Correctional Facility in May 2009 will make 200 additional custody officers available to fill vacancies. As custody officer vacancies are filled, overtime will be significantly reduced. In addition, DOC compared expected and actual custody officer leave usage which prompted DOC to revise the relief factor and off duty limits which will become effective October, 2008.

2. Cost Saving Opportunities

The auditors recommended that DOC pursue additional cost saving measures through future contract negotiations and review of its organizational structure.

Agency Preliminary Response:

DOC agrees in part with the auditors' finding and will continue to recommend changes to the contract between the State of Michigan and the Michigan Corrections Organization. DOC will also continue to review its organizational structure.

Civil Service Rule 6 establishes that the Office of State Employer (OSE), as the Governor's representative, has the responsibility and authority to direct negotiations regarding conditions of employment with various employee unions through collective bargaining agreements. Civil Service Rule 6 also vests with the Civil Service Commission, the final authority to approve, modify, or reject, in whole or in part, all primary and secondary collective bargaining agreements. The payments cited by the auditors were negotiated by OSE and approved by the Civil Service Commission.

DOC has recommended during the last several contract negotiations to eliminate the identified items, however, changes were not achieved through the collective bargaining process. These same payments are made by the Department of Community Health (DCH), and the DCH is also restricted in its ability to assign employees across facility lines. The Michigan State Police makes similar payments to its officers. All of the identified items are subject to future collective bargaining negotiations.

Regarding the DOC organizational structure, the DOC is continuing its efforts to regionalize and reorganize. As stated in the audit finding, the DOC is attempting to regionalize maintenance, business office, warehouse, and food service staff. These efforts are on-going. Several of these efforts are recognized in the FY 09 Appropriation Act and require convening of workgroups which include legislative representatives. Regarding alternative staffing methods, the DOC is implementing alternative work schedules for certain custody and non

Preliminary Response to the Performance Audit of the Selected Personnel and Administrative Costs

custody employees where it is feasible. To expand alternative staffing methods to include utilizing two 12-hour shifts per day would result in certain employees being forced to work these schedules. Current contract language for corrections officers requires mutual agreement between the Michigan Corrections Organization and the State of Michigan to expand shifts beyond 10 hours; consequently, changes to this would require negotiation between the State of Michigan and the union.

3. Purchased Goods and Services

The auditors recommended that DOC establish a formal process to negotiate prices for goods and services purchased from MSI.

Agency Preliminary Response:

DOC agrees in part with the auditors' finding and will formalize its process for negotiating prices with MSI by meeting yearly with MSI to review prices to ensure they are competitive with other options. DOC has had an informal price negotiation process in place with MSI for many years.

However, regarding item a., quality must be considered when comparing prices. MSI's garments have been proven to be better quality by independent testing labs when compared to other leading providers of institutional clothing. MSI's prisoner clothing is on average 5 – 5 ½ oz. material, while vendors on average use a 4 oz. material. MSI thread count averages 170 – 180 per square inch while vendors average 130 – 140. MSI actually receives customer complaints that its t-shirts turn yellow. The reason for this is that the cotton, after many years of washings has been washed out of the garment leaving only the polyester. However, the t-shirt is still intact, no tears or rips. The less expensive private vendor item would have to be purchased more frequently. Socks are an additional product where MSI's quality exceeds that of private vendors.

Regarding item b., MSI's laundry prices are fair and competitive. MSI's laundry pricing is in line with other states' prison industry programs and MSI has several non-State agency customers who procure laundry services from MSI at similar pricing. However, DOC will negotiate more with MSI to get cost beneficial pricing for more facilities.