PERFORMANCE AUDIT

DEPARTMENT OF CORRECTIONS

ADMINISTRATIVE ACTIVITIES

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OFFICE OF THE

AUDITOR GENERAL

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Members of the Arizona Legislature
The Honorable Bruce Babbitt, Governor
Samuel A. Lewis, Director
Department of Corrections

Transmitted herewith is a report of the Auditor General, a Performance Audit of the Department of Corrections, Administrative Activities. This report is in response to the July 26, 1985 resolution of the Joint Legislative Oversight Committee.

The report addresses deficiencies in three administrative areas. We found that the Department's vehicles are poorly maintained and unreliable. As a result, the cost of operating Departmental vehicles may be unnecessarily high. We also found that the Department has not made sufficient use of contracts for maintenance supply purchases. Although contract purchases reduce costs for many needed supplies, the Department is unable to accrue savings which could result from greater contracting maintenance supplies. Finally, we found that the Department needs to improve planning for and development of its electronic data processing systems.

My staff and I will be pleased to discuss or clarify items in this report.

Respectfully submitted,

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SUMMARY

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Corrections (DOC) administrative activities. This audit was conducted in response to a July 26, 1985, resolution of the Joint Legislative Oversight Committee, and is one in a series of audits on the Department.

Previous audit reports have addressed DOC's problems in several functional areas including new facilities planning and construction, external and internal security at adult institutions, institutional facilities maintenance programs, and institutional security staffing. In addition, an audit is currently being completed on DOC's contracting process for professional and outside services.

The Department Of Corrections Vehicle Fleet
Is Poorly Maintained (see pages 3 through 17)

DOC's vehicle fleet is in poor condition. Many DOC vehicles have been driven more than 100,000 miles and are more than 10 years old, contributing to vehicle operating costs that are more than 46 percent above the operating costs for an efficient fleet. As a result, DOC spent $443,370 more for vehicle operations in fiscal year 1984-85 than it would have with a cost efficient fleet. In addition, the need for frequent repairs requires DOC to maintain an unnecessarily large fleet. DOC has more vehicles per staff than several larger corrections agencies. For example, the Illinois Department of Corrections ratio of staff to vehicles is 13 to one, while DOC has six staff for each vehicle. The poor condition of some DOC vehicles also makes them unsafe and unreliable. For example, in August 1984 a DOC bus transporting inmates was involved in an accident when the air brakes and emergency brakes failed. The bus hit the rear of a vehicle stopped in traffic. One passenger in the vehicle complained of severe neck pain and sued the State.

To improve its fleet, DOC should establish Department-wide policies requiring that the institutions conduct preventive maintenance and evaluate fleet effectiveness in terms of cost per mile. The Department

should also upgrade its maintenance facilities by paving garage areas and obtaining sufficient and proper vehicle repair equipment. Once DOC has established a preventive maintenance program and improved its facilities, the Department should establish vehicle replacement policies and purchase newer vehicles.

The Department Could Save Between $192,000 And $328,000 A Year By Contracting For More Of Its Maintenance Supplies (see pages 19 through 28)

Increased term contracting for maintenance supplies could save the Department between $192,000 and $328,000 annually. DOC has not obtained these potential savings since it contracts for only 30 percent of its routine maintenance supplies. The low percentage of contracted purchases has occurred because few DOC institutions use term contracts for maintenance supplies. For example, seven DOC institutions purchased approximately $60,000 in supplies from the same major plumbing vendor during fiscal year 1984-1985 without the benefit of a term contract.

DOC could purchase up to 90 percent of its maintenance supplies on contracts and save 15 to 25 percent of the purchase price. For example, DOC could have saved between $192,000 and $328,000 during fiscal years 1983-1984 and 1984-1985, as shown in the table on the following page. Increased use of contracts could also save time for DOC's purchasing personnel.

Although DOC officials argue that contracting is the responsibility of the Department of Administration, maintenance supplies are the one major commodity not on statewide contract. DOC could reduce costs for these supplies by placing greater emphasis on contracting. The Department could do this by using the Department of Administration's new automated procurement system once it comes on-line. In the interim, DOC should require the institutions to establish general requirements contracts for all institutional maintenance supplies.

POTENTIAL SAVINGS WITH ADEQUATE CONTRACTING
FISCAL YEARS 1983-84 AND 1984-85

	Fiscal Year 1983-84	Fiscal Year 1984-85
Total maintenance supply purchases	$1,907,000	$2,141,000
Less purchases: Currently on contract	439,000	615,000
Not amenable to contracts[1]	191,000	214,000
Potential contract purchases	$1,277,000	$1,312,000
Savings at 15 percent	$ 191,550	$ 196,800
Savings at 25 percent	$ 319,250	$ 328,000

[1] Purchases not amenable to term contracting include one-time purchases, special order items, such as repair parts from an equipment's original manufacturer, and emergency repair supplies.

Source: Compiled by Auditor General staff with DOC maintenance expenditure data from the Arizona Financial Information System and vendor information provided by DOC purchasing agents

The Department Of Corrections Needs To Improve
Planning For And Development Of Its Electronic
Data Processing Systems (see pages 29 through 42)

The Department needs to improve planning for and development of its electronic data processing (EDP) systems. Proper planning and control is critical to developing optimal EDP systems. However, as the following examples show, DOC has not adequately planned its EDP systems.

- DOC's first on-line offender information system, DM-IV, did not meet the Department's needs despite the fact that DOC expended $80,000 and ten months of effort.

- The Adult Information Management System's (AIMS) initial budget request was exceeded by at least $537,535, or 50 percent. Further, because of time limitations imposed by the appropriations process, DOC compromised on the accuracy of data input into AIMS. Concerns about inaccurate data are causing some AIMS users to rely more heavily on written documents than on AIMS.

- DOC's most recent budget request for an automated accounting system was prepared with insufficient knowledge of the Department's needs and alternative accounting systems that can meet those needs.

DOC has many functions that may benefit from automation, however, the Department needs to develop the capability to effectively plan for future systems. DOC has far fewer EDP resources than other State agencies, as shown in the table below. In addition, DOC lacks a Department-wide EDP plan that prioritizes future system development. Finally, the Department has not established standards for system development. Standards are necessary to ensure that EDP problems and solutions are thoroughly investigated before funding is requested for new EDP systems.

COMPARISON OF EDP BUDGETS AND PERSONNEL
FISCAL YEAR 1985-86

Department	EDP FTEs	% of Agency FTEs	EDP Budget	% of Agency Budget
Corrections	17	0.4%	$1,313,070	0.8%
Public Safety	52	3.3%	$3,361,908	4.7%
Transportation	132	4.5%	$6,212,278	4.6%
Economic Security[1]	61.5	2.3%	$6,586,600	3.2%

[1] Includes State funded FTEs and monies only. Federal monies support an additional 155.5 FTEs and provide an additional $10 million to the DES Office of Data Administration.

Source: Compiled by Auditor General staff from data obtained from DOC, DPS, ADOT, DES and the 1985 Arizona Appropriations Report

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Corrections (DOC) administrative activities. This audit was conducted in response to a July 26, 1985, resolution of the Joint Legislative Oversight Committee, and is one in a series of audits on the Department.

Previous audit reports have addressed problems in several functional areas including new facilities planning and construction, external and internal security at adult institutions, institutional facilities maintenance programs, and institutional security staffing. In addition, an audit is currently being completed on DOC's contracting process for professional and outside services.

DOC's Administrative Function

DOC's Director is responsible for managing the Department's overall operation. In order to accomplish this task, the Director has support of the six Assistant Directors and other administrators, located at DOC's Central Office in Phoenix. DOC's Administrative Services Division provides the majority of the Department's support services. The Division provides support to all other divisions in terms of budget development and control, purchasing, and management information systems. In addition, the Administrative Services Division oversees DOC's equipment inventory including the Department's vehicles inventory. Currently however, there is no central oversight of DOC's vehicle management.

Staffing And Budget

The Department has approximately 285.5 full-time equivalent (FTE) positions working from the Phoenix Office, as shown in Table 1.

TABLE 1

FULL-TIME POSITIONS AT DOC's PHOENIX OFFICE
OCTOBER 1985

DIVISION/UNIT	FTE POSITIONS
Adult Institutions	56.5
Human Resources/Development	36.0
Administrative Services	83.0
Juvenile/Community Services	47.0
Inspections & Investigations	25.0
Director's Office	13.0
ARCOR	25.0
TOTAL	285.5

Source: Prepared by Auditor General staff from information provided by DOC's Bureau of Budget and Management

Audit Scope And Purpose

The audit report focuses on the Department's ability to perform its administrative activities efficiently and effectively. The report presents findings and recommendations in three major areas:

- the adequacy of DOC's vehicle fleet management,
- the effectiveness of DOC's purchasing of maintenance supplies, and
- the ability of DOC to develop and implement automated systems.

We also developed other pertinent information regarding the Department's organizational structure and management. Due to the time constraints, all potential issues identified during the audit have not been addressed. The section Areas For Further Audit Work describes these potential issues.

The Auditor General and staff express appreciation to the Director of the Department of Corrections and his staff for their cooperation and assistance during the audit.

THE DEPARTMENT OF CORRECTIONS' VEHICLE FLEET IS POORLY MAINTAINED

The Department of Corrections' (DOC) vehicle fleet is in poor condition, which has resulted in high operating costs. DOC's vehicles are not cost efficient because of inadequate vehicle maintenance programs and facilities. The lack of maintenance is particularly critical because many vehicles are already old and beyond their useful lives when acquired by DOC.

DOC's Vehicles Are Expensive To Maintain And Unreliable

DOC's institutional fleet is not cost efficient. Because many vehicles are old, extensive repairs are needed to keep them in service. Despite extensive repairs, some of DOC's fleet is unsafe and unreliable.

DOC vehicles require costly repairs - The poor condition of DOC's fleet has resulted in high vehicle operating costs. Because many of DOC's vehicles are old and have high mileage, extensive repairs are needed which result in high operating costs. In addition, since a portion of DOC's fleet is always being repaired, additional vehicles are needed, thus contributing to an unnecessarily large fleet.

Much of DOC's institutional vehicle fleet is antiquated and has high mileage. Almost one-third of the institutional vehicles are 10 years old or older. Further, more than 40 percent of the institutional vehicles have been driven more than 100,000 miles.

The age and high mileage of DOC's vehicles contribute to vehicle operating costs that are more than 46 percent above the operating costs for an efficient fleet. DOC vehicle operating costs were approximately $1,397,100 for fiscal year 1984-85. If DOC's fleet were operating efficiently, its total operating costs would have been approximately $953,735. The cost for an efficient fleet was determined by obtaining operating cost data from the National Association of Fleet Administrators,

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the Department of Administration (DOA) Motor Pool, the Arizona Department of Transportation (ADOT) and the City of Phoenix.* While three DOC institutions expended less than the amount necessary for an efficient fleet, other expenditures were extremely high, as shown in Table 2. DOC expended at least $443,370 more than it would have if the fleet were operating efficiently.

TABLE 2

DOC INSTITUTIONS' ACTUAL VEHICLE OPERATING
COSTS VERSUS CRITERION COSTS
FISCAL YEAR 1984-85

	Actual Vehicle Operating Costs	Criterion Vehicle Operating Costs	Variance
ASPC-Florence	$ 304,737.55	$152,799.01	$151,938.54
ASPC-Phoenix	244,343.69	114,301.42	130,042.27
ASPC-Perryville	243,439.74	139,095.84	104,343.90
ASP-Safford	147,948.70	103.072.91	44,875.79
ASPC-Tucson	174,577.96	135,298.43	39,279.53
ASP-Ft. Grant	222,511.21	245,229.72	(22,718.51)
Adobe Mountain Juvenile Institution	26,889.11	30,863.25	(3,974.14)
Catalina Mountain Juvenile Institution	32,660.07	33,074.62	(414.55)
Totals	$1,397,108.03	$953,735.20	$443,372.83

Source: Compiled by Auditor General staff from sources as shown in the Appendix.

DOC's high operating costs result partially from the need for extensive vehicle repairs. An Auditor General review of DOC's vehicle fleet identified the following examples of DOC expenditures.

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*   See the Appendix for detailed information on how DOC's vehicle operating costs and criterion operating costs were determined.

- Arizona State Prison Complex (ASPC)-Phoenix expended approximately $12,000 in 1985 to overhaul the engine in a 1964 transport bus. In addition, in 1986 DOC expended approximately $4,000 for other major repairs on this bus. According to a Phoenix bus vendor, the market value of a similar bus in good condition is between $6,500 and $11,000. However, this bus has a history of brake, steering and clutch problems. In addition, the bus chassis is worn out and may pose a safety threat. The extensive repairs to keep this bus operating combined with the potentially unsafe chassis indicate that this bus may warrant replacement.

- Arizona State Prison (ASP)-Ft. Grant replaced the engines in 18 of 92 (20 percent) vehicles in its fleet during 1985. According to the vehicle maintenance supervisor, at least 15 of these vehicles should be replaced because of worn out drivetrains, suspension systems and other problems which may compromise the vehicles' safety. In addition, these vehicles require extensive repairs to keep them running.

- ASPC-Florence expended at least $1,150 during 1985 for repairs to a 1968 cargo van used for mail deliveries. The maximum market value of a similar vehicle in good condition is $1,200. Two Phoenix area auto dealers strongly questioned the practice of spending $1,150 on this vehicle.

- ASPC-Florence expended at least $3,330 in 1985 to overhaul the engine of a 1982 refuse vehicle with only 35,000 miles. This vehicle had its oil changed only twice in 1985 (March and November). According to a Phoenix area equipment dealer, this vehicle should have its oil changed at three month or 3,000 mile intervals, whichever comes first. The lack of preventive maintenance may have contributed to the need for a major overhaul.

The need for frequent repairs also causes DOC to maintain an unnecessarily large vehicle fleet. DOC's ratio of staff to vehicles is lower than several much larger corrections agencies, as shown in Table 3. For example, both the Illinois Department of Corrections and the Federal Prison System's ratio of staff to vehicles is 13 to one, while DOC's ratio is six to one.

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TABLE 3

COMPARISONS OF CORRECTIONAL FLEET SIZE[1]

	Number of Institutions	Number of Staff [2]	Fleet Size [3]	Number of Staff Per Vehicle
Arizona Department of Corrections	15	3,973	637[4]	6
Illinois Department of Corrections	28	8,674	683	13
Florida Department of Corrections	29	8,699	850	10
Federal Prison System	43	9,974	749	13

[1] The Illinois and Florida Departments of Corrections were selected for comparison on the recommendation of the Commission of Accreditation for Corrections. The Federal Prison System was selected because it was known to have established vehicle maintenance policies.

[2] Totals include staff at adult institutions and juvenile institutions, where applicable.

[3] Includes only institutional vehicles. Vehicles assigned to Central Office and regional administrative offices are excluded.

[4] DOC has a total of 699 vehicles excluding ARCOR. Of these vehicles, 637 are assigned to DOC institutions.

Source: Compiled by Auditor General staff from information obtained from the American Correctional Association, staff and vehicle figures from other corrections agencies, and DOC's vehicle inventory and information provided by DOC personnel

If DOC's fleet were in better condition, fewer vehicles would be needed. For example, although Catalina Mountain Juvenile Institution (CMJI) has four perimeter security vehicles, institution staff report that only two are usually operable at any one time. The vehicles have extensive mechanical problems and are repaired approximately three to five times a week. DOC employees at most institutions have stated that if the vehicles were dependable, fewer vehicles would be needed. Their statements are supported by the results ARCOR recently achieved. ARCOR reduced its fleet by replacing 68 old, worn-out vehicles with 25 new ones through a lease-purchase agreement with a local leasing agent. The leasing company spokesperson believes that 50 to 60 percent of DOC's fleet could be eliminated if replaced with new vehicles.

<u>Some vehicles are unsafe and unreliable</u> - In addition to being expensive to operate, the poor condition of some DOC vehicles make them unsafe and unreliable. Some DOC vehicles have been involved in accidents because of their poor condition.

- On May 12, 1984, a CSO on perimeter patrol at ASPC-Florence lost consciousness while driving a 1982 Plymouth. The driver was apparently overcome by carbon monoxide fumes and passed out. The vehicle drifted to the edge of the canal and was suspended on the bank.

- On December 26, 1985, at ASPC-Tucson, a 1978 Chevrolet C-10 pickup's left door hinge failed, causing the door to open abruptly while the vehicle was in motion. The driver fell out of the vehicle. The vehicle's throttle stuck, and the truck continued in motion until it struck a building. The driver sustained minor injuries to his left arm.

- On August 2, 1984, a 1964 GMC bus transporting 12 inmates to Southern Arizona Correctional Release Center was involved in an accident when the air brakes and emergency hand brake failed. The bus hit the rear of a vehicle stopped in traffic. The vehicle had two passengers. The 12 inmates and two correctional service officers (CSO) were not injured, however, a passenger in the other vehicle complained of severe neck pain and sued the State. The Department of Public Safety (DPS) investigating officer concluded that brake failure caused the accident.

Besides these accidents, we identified mechanical problems that could jeopardize DOC employees, inmates and the general public safety. We requested the ADOT safety team to conduct an inspection of transport vehicles based at ASPC-Phoenix.* In addition, we surveyed CSOs who drive DOC vehicles for security and inmate transportation purposes to identify vehicle incidents that could have resulted in injury or damage. CSOs and the ADOT safety team identified several problems.

- A 1962 35-passenger GMC bus used for inmate transportation at ASPC-Phoenix-Alhambra has severe damage to the main frame at the rear of the bus which supports the engine, transmission and drive shaft. This bus is in such poor condition that a local bus repair service refused to repair this vehicle and recommended

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* The ADOT safety team conducts inspections on large vehicles traveling through the State. The Office of the Auditor General asked the safety team to inspect the ASPC-Phoenix transport fleet.

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that it be scrapped. Despite the fact that the bus repair service refused to repair the vehicle because of concerns that it would still be unsafe, DOC is having the bus repaired by another local bus mechanic.

- A 1964 39-passenger GMC bus used for inmate transportation was found to have severe main frame damage when inspected by the ADOT safety team the day after it returned from a transport assignment. The safety team recommended that this bus be thoroughly inspected and repaired by qualified bus mechanics before it is taken out on the road. In addition, this bus was identified by CSOs as having a history of steering, brake, clutch and electrical problems. Because of the electrical system malfunctions, CSOs have refused to drive the vehicle, fearing that it might catch fire.

- A 1979 Chevrolet van used for inmate transportation at ASPC-Phoenix-Alhambra had major wiring, power steering and brake problems. Due to the vehicle's poor condition, the ADOT safety team recommended that this vehicle be completely repaired before leaving the Motor Pool.

- A 1972 Dodge bus used for inmate transport at ASP-Ft. Grant has jumped out of gear at least five times since November 1985. In one instance, the bus was traveling on a mountain highway and the driver coasted downhill for about one-half mile before the transmission was reengaged. The driver believed he would have had a difficult time avoiding an accident if another vehicle had been in front of the bus.

Vehicle malfunctions could place the State in a position of being liable for injuries. For example, in 1982 two buses transporting inmates from ASP-Safford to ASPC-Florence were almost involved in a collision when the lights went out in the lead bus. The driver of the second bus had to stop suddenly to avoid a collision. Five inmates claimed to be injured in the incident and have sued the state.

DOC Lacks An Adequate
Maintenance Program

Although many DOC vehicles require extensive maintenance, DOC has not implemented a sufficient fleet maintenance program. DOC has not established standardized preventive maintenance requirements for the institutions. In addition, all but one DOC institution lack necessary information to evaluate vehicle performance.

<u>Lack of complete preventive maintenance program</u> - DOC has not established standardized vehicle maintenance requirements for the institutions. Because no central policy on vehicle maintenance exists, the institutions are allowed to determine maintenance standards. As a result, three DOC institutions have not implemented preventive maintenance programs and three only established preventive maintenance programs during the course of our audit. In contrast, some Arizona State agencies and other corrections agencies' have established comprehensive preventive maintenance standards.

Preventive maintenance is an important part of a maintenance program. It involves planning for regularly scheduled inspections, maintenance and adjustments of equipment to identify and correct problems early. The preventive maintenance inspection is typically specified on a checklist. Preventive maintenance checklists are necessary at DOC for two reasons. 1) They document the maintenance conducted on a vehicle; and 2) They ensure continuity in the maintenance performed. Inmates do the majority of maintenance, and they are frequently moved to different institutions or discharged from DOC. Preventive maintenance includes, but is not limited to, routinely changing oil and lubricants, inspecting tires, and servicing brakes and transmissions. This inspection and maintenance is designed to forestall the need for major repair or replacement, and to ensure that vehicles remain operable and efficient.

DOC has not established Departmental vehicle preventive maintenance policies to ensure that the institutions adequately maintain vehicles. Although DOC Central Office officials drafted vehicle preventive maintenance policies in early 1985, these policies were not implemented due to organizational changes in Central Office. While the draft policies were very general and did not specify when preventive maintenance should be completed, they identified the need for a Departmental vehicle maintenance program.

Because Central Office does not require the institutions to meet preventive maintenance standards, the adequacy of vehicle maintenance

programs varies among DOC institutions. Only two institutions conduct complete programs for servicing their vehicles on a regular basis.

- ASPC-Tucson and ASP-Safford have complete preventive maintenance programs. Each institution conducts preventive maintenance every 3,000 miles and uses preventive maintenance servicing checklists.

Other DOC institutions have no program at all or have established preventive maintenance programs only recently.

- ASPC-Florence (DOC's largest institution which has 126 vehicles), Adobe Mountain and Catalina Mountain Juvenile Institutions do not have any form of scheduled vehicle maintenance. These three institutions repair vehicles only when they break down.

- ASPC-Perryville, ASPC-Phoenix and ASP-Ft. Grant all established preventive maintenance programs in December 1985. During the initial phase of the audit none of these institutions had preventive maintenance programs. Because the programs were only recently established, we were unable to fully evaluate them. However, the ASPC-Perryville program may not be adequately funded since the program has been suspended twice since its inception. Similarly, ASPC-Phoenix has not been able to meet its preventive maintenance schedule due to inadequate funds and staff. Finally, both ASP-Ft. Grant and ASPC-Phoenix's programs lack preventive maintenance checklists to guide and document the inspection and repairs.

In contrast to most DOC institutions, other agencies have established policies that specify preventive maintenance standards their divisions must meet. DOA and ADOT have complete preventive maintenance programs, as do several other corrections systems. These comprehensive preventive maintenance programs are carried out when vehicles accumulate a specific number of miles or a certain time period elapses, as shown in Table 4. In addition, corrections agencies shown in Table 4 have more stringent preventive maintenance standards than Arizona State agencies, which may reflect their need to have reliable vehicles at all times.

TABLE 4

COMPARISON OF PREVENTIVE MAINTENANCE PROGRAMS

Institution/Agency	Preventive Maintenance Schedule
DOA Motor Pool	Every four months or 4,000 miles
ADOT	Every three months or 3,000 miles
Florida Dept. of Corrections	Every two months or 2,500 miles
Federal Prison System	Every two months or 2,000 miles

Source: Compiled by Auditor General staff from information obtained from other state and corrections agencies' preventive maintenance programs

DOC could decrease costs by implementing an effective preventive maintenance program at all institutions. For example, ASPC-Florence replaced the engines on two relatively new vehicles - a 1981 pickup with only 63,000 miles and a 1983 pickup with only 45,000 miles. These two vehicles' repair histories show no evidence of regular maintenance. According to DOA's and ARCOR's fleet managers, the need for these major repairs may be attributed to the lack of preventive maintenance.

Inadequate information to evaluate vehicle performance - Most DOC institutions lack information necessary to evaluate individual vehicle performance. Although vehicle histories are essential to sound fleet management, most DOC facilities do not maintain adequate records to evaluate vehicle performance. In contrast, other corrections agencies and some Arizona State agencies maintain comprehensive vehicle histories.

Sound fleet management requires that detailed information be maintained on every vehicle in a fleet. Necessary information includes each vehicle's maintenance history which tracks all repairs made on that vehicle. Repair histories also serve as a control for vehicle repairs and assist in projecting future repairs and expenses. In addition, fuel and oil consumption needs to be monitored for calculation of a vehicle's operating costs to determine whether each vehicle is operating efficiently.

Another benefit of maintenance histories is that they assist managers in controlling vehicle maintenance funds. DOC and DPS are currently investigating the possible misuse of vehicle maintenance funds by an ASPC-Perryville employee in 1984. This misuse of vehicle maintenance funds may have been avoided if vehicle histories were maintained, because vehicle histories establish an audit trail that identifies all repair costs.

Although vehicle histories have several benefits, most DOC institutions have not maintained sufficient records to evaluate fleet performance.

- Two institutions, AMJI and CMJI, do not keep vehicle maintenance histories.

- Several institutions' vehicle histories are incomplete. ASPC-Phoenix, ASP-Ft. Grant, ASP-Safford, ASPC-Florence and ASPC-Perryville keep repair histories. However, the records do not include all costs associated with repairs and fuel consumption. In addition, mileage at several of these institutions is not consistently recorded.

In contrast to most DOC institutions, ASPC-Tucson keeps complete vehicle histories and tracks monthly gas consumption and mileage. This institution's method of recording vehicle operating costs and mileage could be used by other DOC institutions. ASPC-Tucson, however, needs to summarize mileage for each vehicle and evaluate vehicle performance by calculating operating costs per mile.

Other corrections agencies and Arizona State agencies also keep detailed vehicle histories. The Illinois Department of Corrections, the Federal Prison System (FPS), DOA Motor Pool and DPS keep maintenance histories with the following information.

- Vehicle mileage when serviced
- Date of each service
- Type of service performed
- Monthly and year-end mileage records
- Calculation of vehicle miles per gallon
- Monthly and year-end fuel consumption reports

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In addition to keeping vehicle histories, the agencies evaluate fleet performance. FPS and DPS have implemented an automated system that compiles vehicle cost data to determine the operating cost per vehicle and for the total fleet.* DOA Motor Pool summarizes vehicle maintenance, mileage and fuel consumption expenditures monthly. As a result, monthly operating expenses are calculated on individual vehicles and the entire fleet. This information is used to identify problem vehicles that may need to be replaced.

Vehicle Maintenance Is Hindered By Inadequate Maintenance Facilities

DOC's ability to perform vehicle maintenance is hindered by inadequate maintenance facilities. Several DOC vehicle maintenance facilities are inadequate to perform preventive maintenance and other repairs. Inspections of DOC maintenance facilities revealed several deficiencies.

- The maintenance garage at ASPC-Florence is inadequate. The facility is inadequately equipped because it has only two sets of hand tools for seven mechanics. The body shop cannot be used due to inadequate ventilation. The garage has a low clearance which makes it impossible for large vehicles to be maintained indoors. In addition, ASPC-Florence does not have a lift for vehicle repairs.

- The maintenance facility at ASPC-Phoenix-Alhambra was inspected by the ADOT safety team and found to be inadequate. The facility is not adequately equipped because it has too few hand tools for the inmate mechanics and no bus pit for preventive maintenance and repair. The facility is housed in an old tin shed. The shed has four stalls (two paved, two gravel) where vehicles are maintained and repaired. The facility is also overcrowded and has insufficient tools and parts storage. According to the maintenance supervisor, staff make approximately ten trips per day to the auto parts store.

- The maintenance facility at ASPC-Perryville is fully exposed to the outdoors. There is insufficient overhead cover for the four mechanic bays. As a result, with excessive heat, blowing dust or rain, maintenance operations stop because the mechanics are not protected. DOC requested $695,000 for fiscal year 1986-87 to build a maintenance facility, however, this project was not funded.

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* The FPS automated system runs on a microcomputer. Total approximate cost for the software and hardware is $8,500. The software may also be used for inventory management.

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- CMJI's hand tools needed for preventive maintenance and major repairs are old and worn-out.

DOC needs to upgrade existing maintenance facilities and equipment. The maintenance garage areas and mechanic bays need to be enclosed, paved and have sufficient drainage. In addition, proper shop equipment and tools are necessary for mechanics to efficiently carry out maintenance. The ADOT safety team report on the ASPC-Phoenix Motor Pool cited that unenclosed and unpaved work areas can decrease productivity and create safety hazards. Moreover, the safety team stated that proper equipment, such as bus ramps, should be installed so repairs can be completed easily and safely.

One possible way to upgrade the facilities may be for DOC to establish regional maintenance facilities for major repairs. In June 1985, DOC Bureau of Management and Budget studied the feasibility of a regional motor pool in the Phoenix area. This study recommended establishing a centralized motor pool at ASPC-Perryville, however, the recommendations had not been implemented as of June 1986. In May 1986, the Bureau of Management and Budget further studied regionalizing vehicle maintenance facilities. This study recommended establishing a regional maintenance facility at ASPC-Tucson for CMJI, the Southern Arizona Correctional Release Center and ASPC-Tucson. The report also indicated that additional equipment will be necessary to implement the recommendation.

Vehicle Maintenance Is Complicated
By The Purchase Of Old Vehicles

Vehicle maintenance is hindered by DOC's purchases of old vehicles. Institutions purchase many used vehicles but take few out of service. In addition, DOC has not established replacement standards for old vehicles.

Purchase of used vehicles - DOC institutions purchase many used vehicles while retiring few. In 1985 DOC added 111 new and 61 used vehicles to its fleet, while retiring only 18. DOC often purchases vehicles that are five to ten years old, and cost from $100 for a car to $70,000 for a bus. Approximately 50 percent of DOC's vehicles for which information is

available were purchased used.* For example, DOC purchased approximately 37 used vehicles in the first half of fiscal year 1985-86. Many of the used vehicles previously belonged to other State agencies and were purchased from DOA-Finance Division's Surplus Property Section.**

Although DOC acquires used vehicles at a low purchase price, some of the vehicles have exceeded their useful lives and may not be safe or reliable. Some DOC employees feel that purchasing and refurbishing used vehicles is more cost effective than purchasing new vehicles. Because the Department has not maintained complete repair records, we were unable to fully evaluate the costs and benefits of these two alternatives. However, available data suggest that it may be more expensive to operate used vehicles than to purchase and operate new ones. DOA's fleet manager and a fleet management publication indicate that the higher fuel economy of newer vehicles can provide substantial savings over the use of less efficient older vehicles. Fuel cost makes up 5.6 cents of the 7.6 cents per mile average operating cost reported by the National Association of Fleet Administrators for cars.

The fuel cost differences and the increased number of repairs required by older vehicles can result in significant operating costs. For example, in fiscal year 1984-85, vehicle operating costs for ASPC-Florence were approximately $304,738. This exceeds the criterion vehicle operating cost by $151,938. Further, as noted in previous examples, many vehicles may still not be safe or reliable even after extensive repairs. Safety and reliability pose real but hidden costs to be considered when using old vehicles.

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* DOC's current inventory does not include information on condition of vehicles when purchased. The most recent information on purchase condition is available on a 1985 inventory. 394 of DOC's 628 vehicles listed on the 1985 inventory did not have condition or date of purchase completed. Therefore, the exact number of vehicles purchased used cannot be determined.
** Further, a footnote to the 1986-87 appropriations act directs the Department of Public Safety to make available to DOC, at no cost, vehicles that would otherwise be auctioned.

<u>Lack of vehicle replacement program</u> - DOC has not established vehicle replacement guidelines to retire old vehicles that perform poorly and are costly to operate. Almost one-third of the institutional vehicles are ten years old or older. In addition, more than 40 percent of the fleet have more than 100,000 miles. The age and high mileage of DOC vehicles combined with the Department's high operating costs indicate that the Department may need to replace many of its vehicles. ARCOR's fleet manager, who has 26 years of fleet management experience including 16 years with a major moving and storage company, stated that when a vehicle has more than 80,000 miles and its operating costs exceed 16 cents per mile, the vehicle warrants replacement. DOA Motor Pool's fleet manager uses 10 cents per mile as criteria, and then reviews the vehicle's age, mileage and repair history to determine whether it should be replaced. DOC, however, has not established policies specifying that a vehicle be replaced when it reaches a certain age, mileage or when it is too costly to operate.

In contrast to DOC, other corrections agencies, DPS and ADOT have established criteria regarding vehicle replacement.

- Illinois Department of Corrections replaces cars and vans when they have been driven 50,000 miles. Trucks are replaced at 75,000 miles.

- Federal Prison System replaces vehicles every five years or 150,000 miles.

- DPS replaces vehicles after 70,000 miles.

- ADOT replaces cars after 90,000 miles or five years. ADOT's pickups are replaced at 100,000 miles and any vehicle with a load capacity of more than one ton is replaced after 125,000 miles.

Central Office needs to establish Departmental vehicle replacement policies to ensure that only cost efficient vehicles are in its fleet. Although the total cost to upgrade the Department's vehicles cannot be determined until DOC's vehicle needs are documented, the Department could save approximately $443,370 in annual operating costs with an upgraded, efficient fleet.

CONCLUSION

Some of DOC's vehicle fleet is in poor condition. The poor condition of DOC's vehicles results in high vehicle operating costs. DOC vehicles are in poor condition partly because the Department has inadequate maintenance programs and vehicle repair facilities. The lack of maintenance is particularly critical because many vehicles are old and beyond their useful lives when acquired by DOC.

RECOMMENDATIONS

1. DOC should establish a standardized Departmental program to include:

   a. policies requiring preventive maintenance consistent with standards used by other agencies with large vehicle fleets, and

   b. policies specifying that institutions compile information necessary to evaluate fleet performance in terms of vehicle cost per mile. Consideration should be given to acquiring an automated system similar to the microcomputer system used by the Federal Prison System to assist the institutions with this task.

2. DOC should review and upgrade its vehicle maintenance facilities by:

   a. obtaining sufficient and proper vehicle repair equipment,

   b. installing bus pits for institutions with buses, and

   c. paving garage areas and mechanic bays.

3. Once DOC has established a preventive maintenance program and improved its facilities, the Department should upgrade its fleet by:

   a. establishing vehicle replacement policies, and

   b. purchasing newer vehicles. Funding for new vehicles could come, in part, from savings in vehicle repair budgets.

THE DEPARTMENT COULD SAVE BETWEEN $192,000 AND $328,000 A YEAR BY CONTRACTING FOR MORE OF ITS MAINTENANCE SUPPLIES

By contracting for more of its maintenance supplies, the Department of Corrections (DOC) could save between $192,000 and $328,000 annually. Potential savings are lost because DOC contracts for only a small percentage of its maintenance supplies. DOC could reduce unnecessary costs by placing greater emphasis on contracting.

DOC's Purchasing Section oversees all Departmental leasing, bidding and contracting for equipment and operating supplies. Although the Section is responsible for ensuring that purchases are made in accordance with the State's Procurement Code, individual institutions have some autonomy. Only seven of the 12 institutions have buyers reporting directly to the Purchasing Section manager. Purchases for $2,500 or less can be made by these institutions without the Purchasing Section's approval. Purchasing agents at institutions without buyers report to the facilities' business managers. These institutions are limited to purchases under $1,000.

DOC purchases major commodities such as food and office supplies through State contracts established by the Department of Administration. For example, according to DOC, the Department expended approximately $10 million for food in fiscal year 1984-85, most of which was on State contract. DOA does not have statewide contracts for most maintenance supplies. Consequently, we reviewed maintenance supplies because it was determined that this area could accrue the greatest savings through contracts established by DOC.

Inadequate Contracting
Results In Higher Costs
For Maintenance Supplies

The Department may be losing between $192,000 and $328,000 yearly in potential savings because it contracts for only thirty percent of its routine maintenance supplies.

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<u>Seventy percent of maintenance supplies not on contract</u> - Only about one-third of the Department's purchases for maintenance supplies are on contract. Although obtaining term contracts for maintenance supplies is cost effective and feasible, DOC does not take full advantage of contract opportunities.

Obtaining term contracts for maintenance supplies is important because contracting is cost effective. A term contract is established through competitive bidding, and can be broken down into two main categories.

- Firm fixed contracts include detailed specifications for a definite quantity of goods over a definite period of time. Because these contracts specify a definite quantity, vendors will give their best price quotes. However, specific needs must be known in order to establish firm fixed contracts.

- Requirements contracts include specific or general specifications for an indefinite quantity of goods over a definite period of time. The more detailed the specifications are, the greater the likelihood of getting vendors to satisfy a user's needs. For example, a general requirements contract for automotive supplies would include a specification to furnish miscellaneous automotive supplies for cars and trucks. A specific requirements contract would include the types of parts needed, such as hoses, belts, filters, carburetors, alternators, etc.

Since all term contracts involve quantity purchases, they usually result in substantial savings. Purchasing authorities within and outside the Department estimate that between 15 and 25 percent can be saved on term contract purchases.* In addition, in a limited survey, vendors on contract with DOC for various maintenance supplies quoted noncontract prices that indicate DOC's contracts result in savings between 15 and 30 percent.

The majority of DOC's institutional maintenance supplies are not purchased on any State or DOC initiated term contract. Maintenance supplies include electrical, plumbing, paint, lumber and automotive supplies. Only

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* Purchasing authorities include State Purchasing Office officials, a purchasing expert from a State University, a nationally recognized procurement specialist, and four DOC purchasing officials.

23 percent, approximately $439,000 out of $1.9 million, of all maintenance supply purchases were on contract during fiscal year 1983-84, as shown in Figure 1.* During fiscal year 1984-85, only 29 percent, approximately $615,000 out of $2.1 million, of DOC's maintenance supplies purchases were on contract.

FIGURE 1

CONTRACT AND NONCONTRACT PURCHASES
FISCAL YEARS 1983-84 AND 1984-85
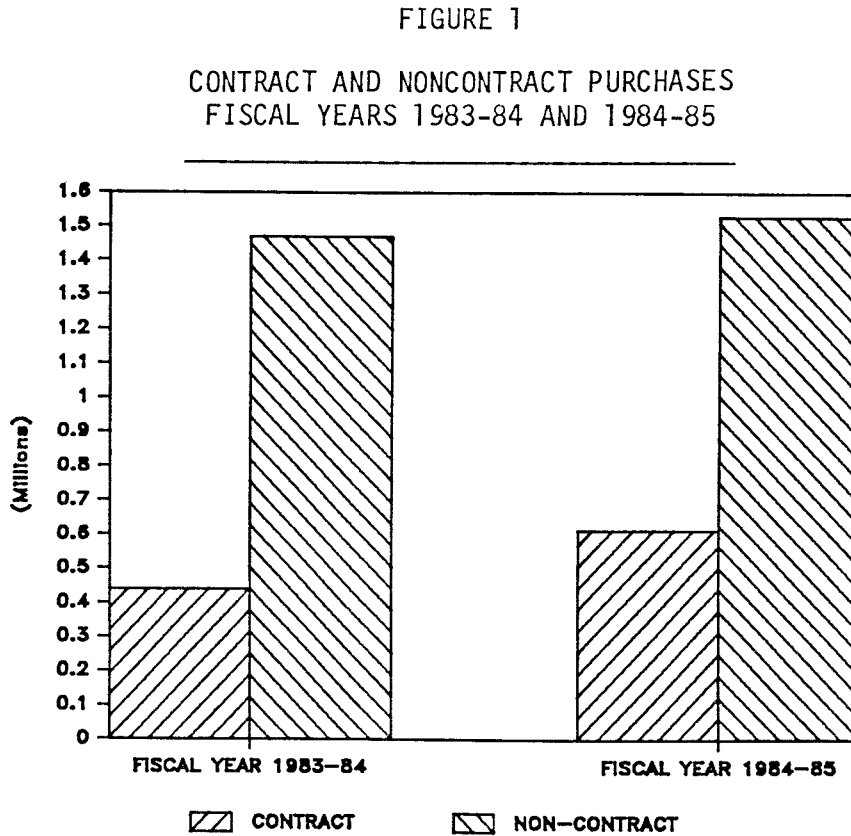
Source: Compiled by Auditor General Staff using maintenance expenditure data from Arizona Financial Information System and contract information provided by DOC purchasing agents

DOC has a low percentage of contracted purchases because few institutions use term contracts. Although purchasing agents from all institutions agree that increased term contracting would be beneficial, only two

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* Expenditure figures are based on a review of the nine major DOC institutions. These expenditures comprise the majority of maintenance expenditures.

institutions purchase a significant amount of their maintenance supplies through requirements contracts.*

- Both Arizona State Prison Complex (ASPC)-Perryville and Arizona State Prison (ASP)-Fort Grant have requirements contracts for lumber, plumbing, electrical and automotive supplies. ASPC-Perryville has approximately 57 percent of its maintenance supplies on term contracts.

- ASPC-Tucson, ASPC-Douglas, ASP-Safford, Catalina Mountain Juvenile Institution and Adobe Mountain Juvenile Institution do not have requirements contracts for lumber, plumbing, electrical or automotive supplies.

- ASPC-Florence and ASPC-Phoenix have requirements contracts for automotive supplies; however, neither have requirements contracts for lumber, plumbing or electrical supplies.

During our review, many cases were noted in which supply purchases could have been made on a term contract.

- Seven institutions purchased approximately $60,000 of supplies from the same major plumbing vendor during fiscal year 1984-85, without the benefit of a term contract.

- Seven institutions purchased more than $50,000 of miscellaneous building supplies from one of the State's major suppliers during fiscal year 1984-85, without the benefit of a term contract.

- Seven institutions purchased approximately $20,000 of refrigeration supplies from a major Arizona vendor during fiscal year 1984-85, without the benefit of a term contract.

Savings lost due to inadequate contracting - DOC loses potential savings because of insufficient term contracting for maintenance supplies. The Council of State Governments conducted a study of purchasing practices and found that seven States, including California, Idaho, Oklahoma, Nebraska and Montana, place 90 percent or more of all their purchases on term contracts. According to a consultant involved in this study, effective purchasing agencies attempt to establish term contracts for most

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* DOC's Purchasing Section has secured an agency-wide requirements contract for paint supplies.

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purchases. Other purchasing authorities, including the State's Purchasing Officer, estimate that DOC could establish term contracts for approximately 90 percent of its maintenance supplies.

Consequently, DOC could save between $192,000 and $328,000 annually by contracting for most of its maintenance supply purchases. After deducting those purchases that are already on contract or are not amenable to term contracting, we calculated the effects of a 15 and 25 percent savings on the remaining purchases. For fiscal year 1983-84, savings would have ranged from $192,000 to $319,000, as shown in Table 5. Similarly, DOC could have saved between $197,000 and $328,000 during fiscal year 1984-85.

TABLE 5

POTENTIAL SAVINGS WITH ADEQUATE CONTRACTING
FISCAL YEARS 1983-84 AND 1984-85

	Fiscal Year 1983-84	Fiscal Year 1984-85
Total maintenance supply purchases	$1,907,000	$2,141,000
Less purchases: Currently on contract	439,000	615,000
Not amenable to contracts[1]	191,000	214,000
Potential contract purchases	$1,277,000	$1,312,000
Savings at 15 percent	$ 191,550	$ 196,800
Savings at 25 percent	$ 319,250	$ 328,000

[1] Purchases not amenable to term contracting include one-time purchases, special order items, such as repair parts from an equipment's original manufacturer, and emergency repair supplies.

Source: Compiled by Auditor General staff with DOC maintenance expenditure data from the Arizona Financial Information System and vendor information provided by DOC purchasing agents

In addition to the potential savings, increased use of term contracts could save time. For example, each time an institution purchases supplies costing between $500 and $1,000, three telephone quotes must be obtained from potential suppliers. Likewise, three written quotes must be obtained for purchases between $1,000 and $2,500. If more maintenance supplies were on term contracts, DOC Purchasing personnel estimate that this time consuming activity would be significantly more efficient. One institution's buyer stated that daily work load could be reduced by as much as 15 percent with more term contracts.

DOC also could save additional monies by consolidating physical plant improvement project purchases. DOC has received a total of $3.4 million since fiscal year 1983-84 for physical plant improvements.* These projects are overseen by the Department's Facilities Maintenance, Planning and Food Service Bureau. Although purchases for some physical plant improvement projects could be consolidated, currently they are not. For example, when building supplies are needed for two separate projects at the same facility, the supplies are purchased through two firm fixed contracts rather than consolidated into one. Because savings are greater when large quantities of supplies are procured in a single purchase, DOC could obtain additional savings if purchases for these projects were coordinated when possible.

DOC Needs To Place Greater
Emphasis On Contracting

DOC's limited use of term contracts for purchasing maintenance supplies results from a lack of emphasis on their use. The Department's Purchasing Section does not compile information necessary to establish the most beneficial term contracts. Although a new purchasing information system being developed by the Department of Administration (DOA) will ultimately improve purchasing effectiveness, DOC should take some actions now.

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* Physical plant improvement projects are funded with Land, Building, and Improvement (LB&I) funds. These projects consist of major maintenance items and are overseen by DOC. All other DOC LB&I projects are overseen by the Department of Administration.

<u>Important information is not compiled</u> - DOC's Purchasing Section does not
direct institutions to compile information necessary to establish either
specific requirements contracts or firm fixed contracts which are more
beneficial than general requirements contracts. The Purchasing Section is
the Departmental unit in charge of contracting for maintenance supplies.
The Section, therefore, is responsible for seeking contract
opportunities. The Section, however, does not currently survey
institutions to determine what maintenance supplies each institution
uses. Estimated annual needs for specific supplies like lumber could be
obtained through surveys of the institutions' purchasing agents. Such
surveys would allow the Purchasing Section to coordinate commodity
requirements and establish specific requirements contracts or firm fixed
contracts for the institutions' maintenance needs. The more specific the
Department can be in specifying its maintenance supply requirements, the
more beneficial the term contract will be. Without this information, the
Purchasing Section lacks data to evaluate purchasing patterns and
establish specific requirements contracts or firm fixed contracts.

DOA's Purchasing Office periodically surveys agencies to determine
quarterly and annual needs for various supplies. These surveys require
agencies to estimate annual needs for items like food, vehicles and
medical supplies. The State Purchasing Office compiles this information
and consolidates agency purchases on specific requirements contracts and
firm fixed contracts.

Because the State purchasing office already conducts surveys in other
areas, DOC believes that DOA should contract for maintenance supplies as
well.* According to a DOC spokesperson "If [the State purchasing office]
awarded statewide maintenance supply contracts, all agencies could
benefit." The State purchasing officer, however, disagrees that it is his
office's responsibility. He stated that because purchasing in Arizona is
more decentralized than in some other states, Arizona State agencies must
play a more active role in securing term contracts. DOC has Central

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*   Currently, approximately 30 to 40 percent of all agency purchases are
     on State contract. State contracted maintenance supplies include only
     a few items like light bulbs, car batteries and tires.

Office and institutional staff to meet this responsibility and could have reduced costs by using its purchasing personnel to determine maintenance needs to contract for maintenance supplies.

DOC should use automated system currently being developed - The Department should increase the use of term contracts for maintenance supplies to avoid unnecessary costs. A new purchasing information system, currently being developed by DOA, will allow DOC to substantially improve purchasing effectiveness. In the interim, DOC should require all institutions to establish general requirements contracts.

An automated procurement system, currently being developed by DOA's State Purchasing Office, can improve DOC's contracting effectiveness. The system is called Purchasing Automation Network and Contracting Effectiveness in Arizona (PANACEA). According to a DOA official, a primary reason for developing this system is so the State's Purchasing Office can increase the amount purchased on State contract. Another objective of the system, however, is to allow agencies to obtain more specific requirements and firm fixed contracts themselves.

PANACEA will allow DOC to compile the data necessary to consolidate and coordinate maintenance supply purchases. It will allow DOC to monitor maintenance supply purchases in a variety of ways. For example, with PANACEA DOC can determine: 1) what specific supplies are being purchased, 2) how much each item costs, 3) the frequency of purchases, 4) the volume purchased, and 5) the vendors used for each purchase. With this information, DOC could maximize its use of specific requirements contracts and firm fixed contracts to accrue substantial savings annually.

DOC should use PANACEA when it comes on-line. DOA plans to begin testing PANACEA in September 1986 and would like to include DOC as a test agency. DOC officials, however, are unsure whether the computer hardware used for the Adult Information Management System is capable of handling the processing requirements for PANACEA. DOC, in conjunction with DOA, needs to analyze its needs and request funding for fiscal year 1987-88 so it can fully utilize PANACEA.

In the interim, DOC should establish general requirements contracts for all institutions. These contracts result in significant savings and are not difficult to obtain. A sophisticated data base is not necessary to initiate general requirements contracts. Only general specifications are necessary to establish these contracts. For example, ASP-Fort Grant has a general term contract for automotive supplies. The specifications for this contract are very basic.

> Vendors will be required to furnish miscellaneous replacement supplies and parts for the following type of equipment; [sic] automobiles, trucks, buses, stationary industrial engines, farm tractors and implements, etc.

As a result, ASP-Ft. Grant was able to save between 25 and 50 percent off the list price for purchases from this vendor. Moreover, general specifications similar to these can be written for various types of maintenance supplies, such as plumbing, electrical and lumber supplies. However, general requirements contracts should not be used indefinitely. Even if all institutions had general requirements contracts, DOC would still be limited in the amount of supplies it could purchase on contracts. Without incorporating PANACEA or using surveys, the Department cannot determine its specific maintenance supply requirements. With a more comprehensive data base DOC could obtain contracts for up to 90 percent of its maintenance supply purchases.

CONCLUSION

Increased contracting for maintenance supply items could save DOC between $192,000 and $328,000 annually. Potential savings are lost because DOC contracts for only a small percentage of its maintenance supply needs.

RECOMMENDATIONS

1. The Department should consolidate its maintenance supply requirements through increased term contracting. The Department can do this by utilizing DOA's new automated procurement system, once it comes on-line, to establish specific requirements contracts and firm fixed

contracts. In order to fully utilize PANACEA, DOC, in conjunction with DOA, needs to analyze its computer hardware and operating budget requirements, and request funding for fiscal year 1987-88.

2. In the interim, DOC should direct institutions to compile general specifications and establish general requirements contracts for all institution maintenance supplies.

3. DOC's Facilities Maintenance, Planning and Food Service Bureau and Purchasing Section should coordinate and consolidate construction supply purchases for physical plant improvement projects, whenever possible, to save additional monies.

THE DEPARTMENT OF CORRECTIONS NEEDS TO IMPROVE PLANNING FOR AND DEVELOPMENT OF ITS ELECTRONIC DATA PROCESSING SYSTEMS

The Arizona Department of Corrections (DOC) needs to improve planning for and development of its electronic data processing (EDP) systems. Proper planning for and control over EDP systems is critical to achieve optimum results. DOC, however, has inadequately planned its EDP systems. Furthermore, DOC's current EDP development, aside from the Adult Information Management System, is of limited Department-wide applicability.

DOC's tremendous growth since it was established 18 years ago has created the need for increased management information and control. The Department has grown from three institutions to 15, with five additional facilities under construction, and now has operations throughout the State. In the past several years, DOC has experienced increasing difficultly in exerting sufficient control over operations and performing functions efficiently and effectively. DOC has recognized that many of its manual systems no longer function adequately under the increased demands the Department faces. As a result, DOC is attempting to address the need for systems to better control and manage essential operational data. The Department has developed two major EDP systems since 1983. Both of these projects were on-line adult information systems. In addition, the 1986 Legislature appropriated $693,600 for the Department to develop an automated accounting system.

EDP Planning And
Control Are Critical

Proper planning and control are critical to develop automated systems with optimum results. Top level management must determine an organization's EDP needs and develop plans to meet those needs. Once plans have been

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established, management must ensure that a logical series of steps for system development are followed.*

Management involvement is essential in developing EDP systems that will meet an organization's needs. Top level management has a responsibility to determine its goals and establish the information system's objectives that will best serve these goals. Management needs to be concerned with long-term plans for the organization's EDP efforts. Such planning provides objectives and management control for meeting an organization's needs, and is especially important in EDP because of the lead time necessary to design, develop and implement automated systems. One way to ensure management involvement is through an EDP steering committee or senior management committee. Furthermore, by clearly stating its goals and objectives, top-level management is better able to prioritize its needs to ensure that the total organization benefits from EDP systems.

Once EDP plans set forth an organization's automation needs and priorities, management standards must be developed to provide the framework upon which all EDP efforts should be based. Standards for EDP system development generally consist of a specific sequence of steps. Prior study and analysis of the proposed systems is a very important part of the system development process. Lack of proper planning increases the difficulties faced in accomplishing EDP objectives. As a result, time and effort may be wasted and excessive costs may be incurred before the desired results are achieved.

The first step in EDP system development involves gathering basic information about the problem, and reviewing alternative solutions and their costs. An initial study and a feasibility stuuy are generally prepared. These are summarized as follows.

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* Information pertaining to EDP plans and standards has been compiled from literature by the American Management Association, the EDP Auditors Foundation, EDP management consultants, and from interviews with EDP specialists.

- An initial study involves a rough estimate of the project's scope and provides a basis for determining whether further study is warranted.

- A feasibility study provides a sound and detailed basis upon which management can decide whether a project should be authorized or not. A feasibility study generally includes:

  - analysis of general system requirements;

  - alternative solutions to system problems, analyzed from a cost-benefit perspective;

  - recommendations and justification for system selection;

  - impact analysis of recommended system; and

  - a project plan.

This information should give management a clear statement of the organizational consequences, plans, costs and benefits of different systems upon which to base a decision for choosing systems alternatives.

The remainder of the EDP system development process generally includes the following three elements.

- Detail Design - The system requirements are more clearly defined and a step-by-step description of how the system is to operate is prepared. This information is gathered by user representatives, technical personnel and specialists, and reviewed by management to ensure that the system will meet the needs identified during the study stage.

- Program Development - The detail design information is translated into computer programs from which the system will run.

- Implementation and Operation - System testing is completed, training is done, and conversion to the new system takes place. Once completed, the system becomes functional and is maintained.

By adopting standards to ensure that systems are developed within this framework, an organization is best able to develop optimum systems to meet its EDP needs.

DOC Has Not Adequately
Planned Its EDP Systems

Although EDP specialists have established EDP planning procedures, DOC has
not followed these guidelines or adequately planned its EDP systems. The
Department's first on-line inmate information system, DM-IV, lacked
sufficient planning and was of limited usefulness to DOC. Lack of
planning for DOC's Adult Information Management System (AIMS) resulted in
unanticipated costs and concerns about inaccurate data. In addition,
DOC's budget request for funds to develop an automated accounting system
during fiscal year 1986-87 was made without adequate plans.

DM-IV plan not adequate - DOC's first on-line offender information system,
DM-IV, was poorly planned and consequently could not meet the Department's
needs. The system no longer exists, despite the fact that DOC expended
$80,000 and ten months of effort on DM-IV. DOC did not complete a
feasibility study or perform a comprehensive needs analysis prior to
initiating DM-IV's development. Although DOC originally planned for
DM-IV to produce lists of inmates eligible for parole, several other
Departmental needs were not considered. Three months after the project
was underway, DOC met with the Department of Administration (DOA) Data
Center to discuss expanding DM-IV beyond its original design to address
some of these other related needs.* After reviewing DOC's needs, DOA
cautioned that continuing with DM-IV as originally designed could compound
DOC's problems, because the system would not meet all needs and would add
to DOC's many unintegrated systems. In addition, the system would not be
able to ". . . alleviate labor intensive efforts as required [by these
other systems]." Instead, DOA said, ". . . the new system will in all
likelihood add to your dilemma rather than assist you in resolving
problems to which you are presently confronted."

Because of the change in project scope, DOA recommended that DOC stop the
DM-IV project and do additional analysis to ensure that all areas of
concern were covered. However, DOC decided to continue with the DM-IV

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* DOC contracted with the DOA Data Center in January 1983 for the design
  and programming of DM-IV.

project, despite DOA's warning that continuing with the project as designed would require future redesign, would end up costing the Department more, would add to DOC's work load, and could not satisfy all DOC's needs. DOC made this decision because it felt that it lacked the time and funds to redesign the system.

Seven months later, however, DOC decided to phase out DM-IV because the system could not meet DOC's comprehensive offender information needs. After a change in DOC administration, the new DOC Director questioned the limited usefulness of DM-IV. As a result, DOC began developing a comprehensive adult offender information system. The Department decided that DM-IV's data base would be transferred to this system when it was developed. When it was finally phased out, DOC had expended approximately $80,000 for DOA's work on DM-IV over a ten-month period. In addition, two DOC programmers and at least two DOC inmate records staff were involved in this project on a full or part-time basis during that period.

Insufficient plans contribute to AIMS problems - DOC's current offender information system, AIMS, was also insufficiently planned for, and resulted in unanticipated costs and staff needs. Although DOC spent six weeks analyzing its information requirements, the Department's plan for AIMS was initially unrealistic. DOC did not complete a feasibility study, which led to a $537,535 increase in the Department's AIMS expenditures over its initial budget request. Despite time and resources devoted to AIMS development in fiscal year 1984-85, there are some concerns about AIMS providing accurate, reliable data.

AIMS, as initially envisioned, was unrealistic in scope. After a six-week study, the AIMS task force outlined 28 specifications that were to be met by AIMS.* A former DOC Director, in a letter to the Chairman of the Senate Subcommittee on Appropriations, stated that AIMS would comprise these 28 functions. Additionally, the Director outlined several other systems that were to operate along with AIMS on one large data base.

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* Soon after the 1983 First Special Legislative Session on Corrections a task force of ten DOC employees analyzed and developed DOC's information system requirements. The task force's effort became the basis for the Department's present Adult Information Management System.

However, many of the 28 functions, such as budgeting and fiscal operations, staff assignment, vehicles and transportation, capital equipment, and personnel, are unrelated to DOC's adult inmate population. A data base oriented to inmate records could not be expected to support such operations. Of the original 28 AIMS specifications, only seven are fully operational, five functions are currently being developed, while sixteen functions will not be part of AIMS.

Because the Department did not complete a comprehensive feasibility study before requesting funds for AIMS, DOC did not identify all costs associated with the project and AIMS expenditures exceeded the initial budget request by at least $537,535, or 50 percent. DOC's initial AIMS request included three full-time equivalent (FTE) positions and $1,069,200 for fiscal year 1984-85 to develop and implement an adult information management system, although the specific system to be implemented had not been determined at the time of the request. Once the system specifications were determined, the request was increased to nine FTEs and $1,335,500.* Moreover, data input costs were not included in the initial AIMS budget request. Approximately $40,000, was expended in overtime payments from the institutions' budgets for AIMS data entry, as shown in Table 6. In addition, approximately $281,351 of DOC's lump sum appropriation was expended on AIMS in fiscal year 1984-85. Because DOC used its management information system (MIS) line item funds along with other operational and institutional funds to support AIMS development and implementation, establishing the total fiscal year 1984-85 expenditures for AIMS is difficult. However, based on costs that have been identified, DOC's fiscal year 1984-85 AIMS related expenditures exceeded the original budget request by $537,535, or 50 percent.

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* The initial request was revised during the appropriations process. The new request was the result of research done by Joint Legislative Budget Committee staff and DOC staff. The revised request provides further evidence of poor planning - only two of the additional FTEs were programmer/analyst positions needed for system development. The Department had to go through the time consuming process of reclassifying five computer operations positions into programmer/analyst positions.

TABLE 6

AIMS APPROXIMATE EXPENDITURES
FISCAL YEAR 1984-85

Initial Budget Request		$1,069,200
Less Approximate Expenditures:		
MIS Line Item[1]	$1,285,384	
Other AIMS costs from lump sum appropriation[2]	281,351	
Data input costs from institutional budgets	40,000	1,606,735
Unfavorable Variance		$ (537,535)
Percentage Of Unfavorable Variance		50%

[1] The MIS line item was established so that all AIMS costs could be closely monitored. The Legislature appropriated $1,335,500 for the MIS line item. The amount presented is the actual expenditure from that line item.

[2] These expenditures came from DOC's budget for the MIS bureau. During the AIMS budget process, the Department told JLBC staff that the MIS employees already at DOC could not be used for AIMS. However, all but one staff person were involved in the project on a full-time basis.

Source: Compiled by Auditor General staff from AIMS expenditure data obtained from DOC personnel and fiscal year 1984-85 year-end AFIS data for the MIS line item

DOC's failure to complete a feasibility study also resulted in the Department overlooking how AIMS would affect other Departmental operations once it was implemented. Although a member of the EDP Advisory Committee requested that DOC analyze the ramifications of AIMS on DOC staff, an organizational impact study was never done.* Consequently, although the Department assigned institutional personnel to coordinate AIMS at the institutions, DOC did not identify the need for additional institutional personnel to maintain the AIMS system.

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*   The EDP Advisory Committee, which met only once, was established by a former DOC Director to review the progress and development of AIMS.

Currently, according to DOC personnel and the fiscal year 1986-87 budget request, the Department is pulling staff from regularly assigned duties to maintain AIMS.* In addition, because DOC did not anticipate the need for a method to ensure the accuracy of AIMS data, the Department presently does not have the organizational capability to do so.

To complete systems development within one year, before appropriations reverted and funds were no longer available, the Department compromised on the accuracy of AIMS data. DOC had to first determine what system it was to implement and then get it operational before the end of fiscal year 1985. In order to meet the year-end deadline, the Department relied on data from other automated offender information systems - even though some of the data was known to be inaccurate. Lack of adequate time and staff also hampered DOC's ability to update data from other systems and check the accuracy of new data being entered into AIMS.

A method to ensure accurate data is particularly important in this case, since some of the original data was known to be inaccurate. Because of concerns regarding inaccurate data, some users are relying more heavily on written documents than on AIMS. For example, although AIMS is designed to provide daily counts of inmates by unit, some units are instead relying on manual counts. DOC has only recently begun to address the need for a means of ensuring data accuracy within AIMS. The Department recently formed an AIMS Data Quality Group to address this problem.

Accounting system request lacks adequate plan - DOC's fiscal year 1986-87 budget request for an automated accounting system has been made without definite plans, and could result in problems similar to those encountered with AIMS. The Department's recent budget request for $751,300 was made without the benefit of a feasibility study or a plan specifying what system would be developed. The Department did perform preliminary research

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* The fiscal year 1986-87 budget request for Adult Institutions included five program project specialists to operate and maintain AIMS at the adult institutions. Juvenile and Community Services also asked for six data entry operators to coordinate data input. These positions, however, were not funded.

for the system and prepared a report identifying alternative approaches. However, the budget request was not based on costs for any of the alternatives examined in the report. Instead the request was based on DOC's estimate of what it would cost to contract with a vendor to develop a system, and staff needs to maintain the accounting system once developed.

DOC's accounting system report, which is included with the Department's budget request, also lacks substantive Department-wide involvement and thorough investigation. DOC did not assemble a task force to study accounting system needs. Instead, two accounting firms and an individual hired by DOC conducted the research. Only brief contacts were made with DOC accounting system users. Further, alternatives presented in DOC's accounting system study were not thoroughly evaluated before funds were requested. For example, the Arizona Financial Information System (AFIS) was one of the alternatives reviewed. AFIS was ranked low among DOC's alternatives, but DOC did not formally provide DOA Finance - General Accounting Office with a list of its accounting system needs or receive formal comment from DOA, until after DOC had completed its preliminary research and submitted its budget request.* Another alternative proposes the use of the Department's minicomputers to develop and/or run an accounting system. DOC, however, has not adequately analyzed its current hardware capabilities to determine whether the minicomputers used for the AIMS network could handle the additional system requirements. Response time has been a continuing problem with AIMS, and use of the minicomputers for accounting could create additional problems in this area.

DOC officials indicate that the need for an automated accounting system is critical. However, lack of adequate planning for automated system development can increase the difficulties involved in accomplishing the project. Without adequate evaluation and careful planning, DOC's attempt

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* According to DOA, most of DOC's accounting system needs can be met when AFIS is transferred from the Honeywell system to the IBM computer system. DOA will receive funding in fiscal year 1986-87 to begin the conversion process, which they estimate will be completed by December 1989.

to develop an accounting system could result in wasted time, excessive costs and limited usefulness that characterized the Department's previous efforts.

The 1986 Legislature has recognized DOC's need for an accounting system by appropriating $693,600 as part of the Department's lump sum appropriation. To ensure that DOC has adequately studied its needs prior to developing or acquiring the system, the Legislature has limited the Department's authority to spend this appropriation. The Department may spend only $193,600 of the appropriation without Joint Legislative Budget Committee (JLBC) approval. The remaining $500,000 is for development or acquisition and implementation of the accounting system and may not be used until approved by JLBC.

DOC's Use Of EDP
Systems Is Limited

Despite the Department's need for automated systems, DOC's current EDP applications are limited. While many functions might benefit from automation, AIMS remains the only on-line Department-wide EDP system. As a result, some administrators within DOC are developing microcomputer applications with limited Department-wide benefits. At present, DOC does not have the capability to expand its automated systems to meet other needs.

Many functions not automated - Although the Department has the need for greater automation, AIMS is the most comprehensive Department-wide application that DOC's Bureau of Data Management (BDM) is actively working on. Present BDM staff are primarily involved with maintaining AIMS and are not available to develop new applications. Twelve of the Department's 13 available positions for application development are dedicated to AIMS.

Most DOC functions are currently operating without the benefits of an automated system. Many areas are operating totally manual systems which require substantial staff time to maintain and organize, provide limited management information, and are vulnerable to human error. For example, a manual system to track and maintain inventories is used at most

institutions. Institutional budgets, which range from $900,000 to $36,000,000, are developed and monitored with a manual ledger system. In addition, DOC's payroll for more than 4,200 employees is based on a manual time reporting system.* Areas that might benefit from automated systems include:

- budgeting
- accounting
- payroll
- inventory control
- staff assignment/training
- litigation tracking
- health services
- fleet and facilities management

DOC has tried to offset its lack of Department-wide EDP systems through an increased use of microcomputers. Microcomputers have assisted the Department in automating some functions, providing more accurate and timely information. However, while microcomputers are an improvement over manual systems, they can provide only limited Department-wide information and control. Microcomputer applications are developed on a case-by-case basis and do not benefit the Department as a whole. For example, one institutional business manager recently acquired a microcomputer to perform budget and inventory control functions that are done manually at other institutions. DOC's Bureau of Management and Budget uses a microcomputer to maintain position control data, while the institutions manually maintain similar data. Both of these microcomputer systems, while providing temporary solutions to specific problems, do not provide Department-wide information or control.

DOC needs the capability to develop systems - DOC currently lacks the ability to develop Department-wide EDP systems. The Department does not have an EDP plan or standards to guide EDP system development. DOC may be hampered in its EDP efforts because of inadequate resources.

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* Payroll data is assembled manually at the institutions, forwarded to Central Office for processing and transmitted to DOA where the information is entered into DOA's computer system.

DOC does not have a current EDP plan. DOC developed an EDP plan in 1981, but it is now obsolete and needs to be updated. In addition, the implementation of AIMS has changed Departmental EDP needs. Although DOC anticipates preparing a plan by the end of the year, as required by DOA, neither BDM nor any other Departmental staff are assigned to do EDP planning.

In addition to lacking an EDP plan, DOC also lacks EDP development standards to ensure that EDP systems are thoroughly investigated before a system is selected. DOC needs to establish EDP standards to ensure that a mechanism for optimal system development is in place. For example, it is important that all related needs be identified before an EDP system is developed. In addition, several solutions to EDP problems should be considered and evaluated from a cost-benefit perspective, prior to management selecting a solution and requesting funds. Otherwise, future DOC systems may experience problems similar to those encountered in DM-IV and AIMS.

While DOC has many EDP needs, the Department lacks sufficient resources to develop any new applications. In contrast to DOC, other State agencies have more resources for EDP and many comprehensive EDP applications. The Arizona Department of Transportation (ADOT), the Department of Public Safety (DPS), and the Department of Economic Security (DES) are similar to DOC in that these agencies have large budgets and operations throughout the State. However, DOC uses less than 1 percent of its budget for EDP, while these other agencies devote between 3.2 and 4.7 percent of their budgets to EDP, as shown in Table 7. In addition, DOC has more employees than these other agencies but has the fewest EDP positions. Because these agencies have the resources, they have many EDP systems. For example, DPS has automated consumable inventory, accounting, personnel information and offender tracking systems, as well as EDP systems for other areas.

TABLE 7

COMPARISON OF EDP BUDGETS AND PERSONNEL
FISCAL YEAR 1985-86

Agency	EDP FTEs	% of Agency FTEs	EDP Budget	% of Agency Budget
DOC	17	0.4%	$1,313,070	0.8%
DPS	52	3.3%	$3,361,908	4.7%
ADOT	132	4.5%	$6,212,278	4.6%
DES[1]	61.5	2.3%	$6,586,600	3.2%

[1] Includes State funded FTEs and monies only. Federal monies support
an additional 155.5 FTEs and provide an additional $10 million to
the DES Office of Data Administration.

Source: Compiled by Auditor General staff from data obtained from DOC,
DPS, ADOT, DES and the 1985 Arizona Appropriations Report

These State agencies also have EDP planners and agency EDP plans. ADOT
has three EDP planners, DES has one principal planner and three
assistants, and DPS has one person assigned to planning. These agencies
all have comprehensive EDP plans. Corrections departments in other
states, such as Florida and Washington, have EDP planning capabilities and
EDP plans.

CONCLUSION

DOC needs to improve its EDP system development. Although proper planning
is critical for developing EDP applications, DOC has inadequately planned
its EDP systems. In addition, DOC's current EDP system development is of
limited Department-wide applicability.

RECOMMENDATIONS

1. The Department should ensure top-level management involvement in
defining and prioritizing EDP system goals and objectives. One
possible way to ensure management involvement is through an executive
level EDP steering committee.

2. Once DOC establishes an EDP planning mechanism, the Department should develop a Department-wide EDP plan that meets DOA requirements. The plan should reflect management's EDP priorities and include recent EDP accomplishments, Department goals, planning assumptions, specific automation objectives, and more detailed strategies for meeting these objectives.

3. The Department should develop standards for system development. These standards should ensure that the Department follows the patterned sequence of steps in development of all EDP systems. The sequence of steps includes: study and analysis, detail design, program development, implementation, and operation.

4. The Department should evaluate its EDP staffing needs to determine whether additional funding is necessary. Special consideration should be given to the need for EDP planners, programmers, data entry personnel, and institutional EDP coordinators. Once DOC has reviewed its EDP staffing needs, the Department should seek funding for these positions.

5. The Department should complete a comprehensive needs analysis and feasibility study of its accounting needs before requesting JLBC approval to develop or acquire the automated accounting system. DOC should examine alternative accounting system solutions and their costs. DOC should consider AFIS as one of its alternatives and work with DOA Finance personnel to determine whether the system could meet DOC's needs. Top-level management should then choose an accounting system to be developed and request the needed funds through the budget process.

OTHER PERTINENT INFORMATION

During the Central Management audit of the Department of Corrections (DOC), we developed pertinent information regarding the Department's organizational structure and management. In reviewing DOC's administrative activities, one problem that we kept coming across was the Department's frequent organizational changes. In fact, some of the conditions described in Findings I, II and III may have occurred, in part, because of the frequent organizational changes. In the past eight years, DOC has had several major reorganizations. In addition to changes in organizational structure, there is frequent turnover of the administrators who oversee various functional areas or manage the institutions.

Since 1978 DOC has had three Directors and more than 14 reorganizations.* The reorganizations have shifted the various functional areas, sometimes recreating the same structure eliminated in a previous administration. For example, Health Services has been moved seven times in the past eight years. Health Services has been a separate division at different times and has also been combined with other Department functions, such as Community Services, Operations and Administration. Health care is presently within the Human Resources and Development Division, along with personnel, staff training, planning and facility activation.

In addition to changes in organizational structure, there is frequent turnover of the administrators who oversee various functional areas or manage the institutions. For example, five different administrators have overseen the Department's Administration Division since 1982. Further, Arizona State Prison Complex (ASPC)-Florence has had four wardens and two units have had several different deputy wardens since 1981. Sometimes several changes take place within a year's time. For example, ASPC-Tucson's Santa Rita unit had three deputy wardens in one year. One Central Office staff member had eight different supervisors in a two-year period.

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*   According to the American Correctional Association, the average tenure for a Corrections Department director is 19 months.

AREAS FOR FURTHER AUDIT WORK

During the course of the audit we identified several potential issues that we were unable to pursue because they were beyond the scope of our audit or we lacked sufficient time.

- Does the Department of Corrections sufficiently control vehicle assignment and use?

Although the Department of Corrections has 699 vehicles excluding ARCOR, there is currently no entity within DOC's Central Office to ensure that vehicles are being properly assigned and used. Several DOC employees questioned many of the vehicle assignments. In addition, some vehicles appear to be inefficiently used. For example, at one facility a van was being used for perimeter security. Inappropriate assignment and use of vehicles may be contributing to the unnecessarily large fleet discussed in Finding I, page 3. Further audit work is necessary to determine the extent of improper assignment and use, and the effect of inadequate control of vehicles.

- Has the Department of Corrections established necessary controls over fuel distribution?

DOC does not adequately control fuel distribution at several institutions. At ASPC-Phoenix-Alhambra and Catalina Mountain Juvenile Institution, daily fuel use is not recorded or tracked. ASP-Ft. Grant Motor Pool recently began recording daily fuel use, but large quantities of fuel have still been reported missing. In contrast, the Federal Prison in Phoenix installed a key control fueling system. The key control system allows only authorized users access to fuel and automatically records each fueling transaction. Key control and card control systems cost from $750 to $10,000 dollars and can handle up to 10,000 users. Although the system costs more than a basic fuel system, the system could save money because of the increased control it provides. Further audit work is necessary to determine the extent of inadequately controlled fuel at each facility and its cost to the Department.

● Does the Department of Corrections sufficiently control automotive parts and tools?

DOC vehicle maintenance shops may not adequately control automotive parts and tools usage. The performance audit on DOC's Adult Institutions Security (Report No. 85-12) found that DOC did not adequately control tools at the institutions' facility maintenance shops, ARCOR sites and other areas. During the review of vehicle maintenance, inadequate controls over vehicle parts and mechanics tools were observed at two institutions. For instance, at ASPC-Phoenix-Alhambra, inmates have free access to mechanics tools and repair parts. Thus, parts and tools can be stolen by inmates. In addition, insufficient control over automotive parts may have led to the alleged misuse of funds at ASPC-Perryville discussed in Finding I, page 12. Further audit work is necessary to determine the adequacy of controls for vehicle parts and tools at each institution.

● Has the Department of Corrections effectively managed its operating supplies and equipment inventories?

The Department may not be effectively controlling its operating supplies and equipment inventories. Although DOC has established equipment inventory controls and policies, the Department's most recent inventory identified more than $560,000 in missing equipment. The missing equipment is either the result of policies not being followed or items being stolen.

Central Office does not ensure that the institutions have procedures to monitor inventories like food, which constitutes more than $10 million of DOC's budget. Thus, Central Office lacks a management information system to determine the effectiveness of institutions operating supplies inventory management. In addition, during visits to several institutions we determined that inventory controls were weak or nonexistent. For example, at Catalina Mountain Juvenile Institution, when items are delivered institutional personnel do not make an independent count of the goods received. The lack of sufficient control over operating supplies and

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equipment may result in mismanagement, waste or theft. Further audit work is needed to determine the adequacy of Central Office oversight of operating supplies and equipment inventories.

APPENDIX

METHODOLOGY FOR DETERMINING VEHICLE OPERATING COSTS

Fleet managers evaluate their fleet's efficiency and individual vehicle performance by monitoring the vehicles' operating expenses. These costs consist of all expenses directly related to running a vehicle: fuel, oil, tires and tire repair, and maintenance and repair. These expenses are computed as costs per mile for each vehicle and can be referred to as variable costs per mile (VCM).

Because the Department of Corrections' institutions do not maintain adequate records, as discussed in Finding I, page 11, it is not possible to determine the exact VCM of DOC's fleet or what the fleet's cost per mile should be. Instead, Auditor General staff compared the total vehicle operating expenses for vehicles at each DOC institution to the estimated total cost of the fleet if each institution operated it's vehicles at a criterion cost per mile. The criterion cost per mile for the various types of vehicles was provided by the National Association of Fleet Administrators, the Department of Administration's (DOA) Motor Pool, the Arizona Department of Transportation (ADOT) and the City of Phoenix (Table 1).

TABLE 1

CRITERION COST PER MILE

VEHICLE TYPE	VCM	SOURCE OF DATA
Cars	$.076	National Association of Fleet Administrators
Pickups	.12	DOA Motor Pool
4 X 4s	.126	DOA Motor Pool
Vans	.135	DOA Motor Pool
Minibuses	.26	City of Phoenix
Buses	.56	City of Phoenix
1 ton trucks	.30	ADOT
1.5 ton trucks	.35	City of Phoenix
2 ton trucks	.48	City of Phoenix
2.5 ton trucks	.58	City of Phoenix
5 ton trucks	.96	ADOT
Boom trucks	.76	City of Phoenix
Wreckers	.42	City of Phoenix
Water trucks	.37	ADOT
Semis	.62	ADOT
Fire trucks	.99	City of Phoenix
Unidentified large trucks	.53	Average of 1 ton through 5 ton VCM shown above

The criterion cost per mile used to evaluate DOC's vehicles are the actual operating costs of vehicles in the identified category. Using these figures to evaluate DOC's performance is reasonable for several reasons.

1. The National Association of Fleet Administrators (NAFA) annually surveys its members to determine their fleets' operating costs and reports this data in the form of an average operating cost per mile. The NAFA survey is used by public and private fleet administrators to evaluate their fleets' performance.

2. The City of Phoenix and ADOT have heavy equipment similar to DOC. These agencies evaluate their fleets' efficiency by calculating VCM. Administrators for both fleets noted that their fleet costs should be higher than DOC's fleet costs because of the nature of their vehicles' usage. For example, City of Phoenix transit buses make frequent stops which lead to costs as much as five times higher than buses traveling longer distances. Similarly, ADOT vehicles are used for heavy duty road work, such as snow plowing and concrete hauling. Therefore, using the City of Phoenix and ADOT's fleets' actual operating costs is a conservative comparison.

3. The criterion costs include fuel, lubricants, tires and tire repairs, and parts and labor for maintenance and repair. DOC's costs also include the same components, however, DOC makes extensive use of inmate labor to maintain its vehicles. Consequently, DOC's labor costs are much lower than the costs these other entities incur to repair their fleets. Therefore, DOC's operating costs should theoretically be lower than the criterion costs.

The following methodology was used to calculate the approximate total operating expenditures that DOC institutional fleets should be incurring.

1. We contacted DOC transportation personnel to determine the percentage contribution that various categories of vehicles made to the total estimated mileage included in the institution's budget request. This information is presented in Table 2, Percentage of Total Mileage column. This percentage was multiplied by the total mileage to obtain the estimated mileage for that category. The estimated mileage for each category is presented in the Mileage column.

2. The estimated mileage was multiplied by the criterion cost per mile to determine the total cost of institutional vehicles if they were operating as efficiently as the criterion fleets. This total cost is the criterion cost.

3. Criterion costs for each vehicle category were combined to obtain the criterion total cost for each institution, as shown in the Total rows of Table 2.

4. Each institution's actual vehicle operating costs were calculated
    with Arizona Financial Information System data and information
    provided by DOC personnel, as shown in Table 3.

5. The criterion total cost for each institution (from Table 2) was
    compared with DOC's actual total costs (from Table 3) to
    determine the variance between the costs that the fleet should be
    incurring versus the cost that the fleet did incur. The
    variances for each institution are presented in the Variance
    column in Table 4.

TABLE 2

CALCULATIONS USED TO DETERMINE CRITERION TOTAL COST

Institution	Vehicle	Criterion Cost Per Mile	Percentage of Total Mileage	Mileage	Criterion Total Cost
ASPC-Florence	Cars	$0.076	75.00	1,058,849.25	$ 80,472.54
	Pickups	0.12	12.00	169,415.88	20,329.91
	4 x 4	0.126	3.00	42,353.97	5,336.60
	Vans	0.135	5.00	70,589.95	9,529.64
	Buses	0.56	3.00	42,353.97	23,718.22
	1 ton	0.3	.30	4,235.397	1,270.62
	1.5 ton	0.35	.10	1,411.799	494.13
	2 ton	0.48	1.00	14,117.99	6,776.64
	2.5 ton	0.58	.10	1,411.799	818.84
	Fire truck	0.91	.10	1,411.799	1,284.74
	Water	0.37	.10	1,411.799	522.37
	Misc. large truck	0.53	.30	4,235.397	2,244.76
Total			100.00	1,411,799.00	$152,799.01
ASPC-Phoenix	Cars	0.076	15.00	51,665.55	$ 3,926.58
	Pickups	0.12	10.00	34,443.70	4,133.24
	Vans	0.135	25.00	86,109.25	11,624.75
	Buses	0.56	45.00	154,996.65	86,798.12
	1 ton	0.3	1.00	3,444.37	1,033.31
	1.5 ton	0.3	1.00	3,444.37	1,205.53
	Semi	0.62	1.00	3,444.37	2,135.51
	Wrecker	0.42	1.00	3,444.37	1,446.64
	2.5 ton	0.58	1.00	3,444.37	1,997.73
Total			100.00	344,437.00	$114,301.42
ASPC-Tucson	Cars	0.076	20.00	114,248.2	$ 8,682.86
	Pickups	0.12	35.00	199,934.35	23,992.12
	4 x 4	0.126	5.00	28,562.05	3,598.82
	Vans	0.135	15.00	85,686.15	11,567.63
	Buses	0.56	15.00	85,686.15	47,984.24
	1.5 ton	0.35	1.00	5,712.41	1,999.34
	2.5 ton	0.58	4.00	22,849.64	13,252.79
	Fire truck	0.99	1.00	5,712.41	5,655.29
	5 ton	0.96	3.00	17,137.23	16,451.74
	Water	0.37	1.00	5,712.41	2,113.59
Total			100.00	571,241.00	$135,298.43
ASPC-Perryville	Cars	0.076	50.00	381,084.5	$ 28,962.42
	Pickups	0.12	5.00	38,108.45	4,573.01
	4 x 4	0.126	15.00	114,325.35	14,404.99
	Vans	0.135	10.00	76,216.9	10,289.28
	Buses	0.56	15.00	114,325.35	64,022.20
	1 ton	0.3	2.00	15,243.38	4,573.01
	2 ton	0.48	1.00	7,621.69	3,658.41
	Boom	0.76	1.00	7,621.69	5,792.48
	Water	0.37	1.00	7,621.69	2,820.03
Total			100.00	762,169.00	$139,095.84

Institution	Vehicle	Criterion Cost Per Mile	Percentage of Total Mileage	Mileage	Criterion Total Cost
ASP-Ft. Grant	Cars	$0.076	40.00	571,720.00	$ 43,450.72
	Pickups	0.12	10.00	142,930.00	17,151.60
	4 x 4	0.126	2.50	35,732.50	4,502.30
	Vans	0.135	32.50	464,522.50	62,710.54
	Buses	0.56	10.00	142,930.00	80,040.80
	1 ton	0.3	1.00	14,293.00	4,287.90
	1.5 ton	0.35	.50	7,146.50	2,501.28
	2 ton	0.48	.50	7,146.50	3,430.32
	2.5 ton	0.58	1.00	14,293.00	8,289.94
	Misc. large truck	0.53	1.00	14,293.00	7,575.29
	Fire truck/ Tractor	0.99	.333	4,759.57	4,711.97
	Semi	0.62	.334	4,773.86	2,959.79
	Boom	0.76	.333	4,759.57	3,617.27
Total			100.00	1,429,300.00	$245,229.72
ASP-Safford	Cars	0.076	15.00	66,355.95	$ 5,043.05
	Pickups	0.12	35.00	154,830.55	18,579.67
	4 x 4	0.126	5.00	22,118.65	2,786.95
	Vans	0.135	20.00	88,467.60	11,944.07
	Buses	0.56	20.00	88,474.60	49,545.78
	5 ton	0.96	2.00	8,847.46	8,493.56
	1.5 ton	0.35	1.00	4,423.73	1,548.31
	2.5 ton	0.58	2.00	8,847.46	5,131.53
Total			100.00	442,373.00	$103,072.91
CMJI	Cars	0.076	27.50	71,518.85	$ 5,435.43
	Pickups/ 4 x 4	0.12	48.75	128,892.56	15,467.11
	Vans	0.135	21.21	56,078.18	7,570.55
	Minibus	0.26	1.00	2,643.95	687.43
	Misc. Large	0.53	1.00	2,643.95	1,401.29
	5 ton	0.96	.99	2,617.51	2,512.81
Total			100.00	264,395.00	$ 33,074.62
AMJI	Cars	0.076	30.00	78,300.00	$ 5,950.80
	Pickups	0.12	11.00	28,710.00	3,445.20
	4 x 4	0.126	5.00	13,050.00	1,644.30
	Vans	0.135	53.00	138,330.00	18,674.55
	1 ton	0.3	.50	1,305.00	391.50
	2.5 ton	0.58	.50	1,305.00	756.90
Total			100.00	261,000.00	$ 30,863.25

Source: Compiled by Auditor General staff from vehicle's percentage of total mileage data from DOC transportation personnel and fiscal year 1984-85 estimated mileage figures from DOC fiscal year 1985-86 budget request and mileage data from ASP-Safford. Actual mileage figures are not available for all insitutions because they have not consistently recorded mileage.

TABLE 3

ESTIMATED VEHICLE OPERATING COSTS, FISCAL YEAR 1984-85

Institution	Operating Expenditures [1]	Vehicle Maintenance Supervisors' And Mechanics' Salaries, And Employee-Related Expenditures [2]	Total Institutional Expenditures
ASPC-Florence	$ 241,811.87	$ 62,561.68	$ 304,373.55
ASP-Fort Grant	141,978.51	80,532.70	222,511.21
ASP-Safford	111,370.22	36,578.48	147,948.70
ASPC-Perryville	218,726.62	24,713.12	243,439.74
ASPC-Tucson	139,019.61	35,558.35	174,577.96
ASPC-Phoenix	198,332.27	46,011.42	244,343.69
Adobe Mountain Juvenile Institution	26,889.11	[3]	26,889.11
Catalina Mountain Juvenile Institution	30,255.07	2,405.00	32,660.07
Total	$1,108,383.28	$288,360.75	$1,369,744.03

Source: (1) Derived from Arizona Financial Information System expenditure data for subobject codes 7651 (Batteries), 7655 (Tires and Tubes), 7659 (Other Vehicle Supplies), 7561 and 7565 (Vehicle Maintenance Contracts), and 7598 and 7599 (Fuel).

(2) Figures provided by institutional business office. Inmate Labor Work Incentive Pay Plan expenditures not included.

(3) Adobe Mountain Juvenile Institution's vehicle maintenance and repair is done by private vendors.

TABLE 4

DOC INSTITUTIONS ACTUAL VEHICLE OPERATING
COSTS VERSUS CRITERION COSTS
FISCAL YEAR 1984-85

	Actual Vehicle Operating Costs	Criterion Vehicle Operating Costs	Variance
ASPC-Florence	$ 304,737.55	$152,799.01	$151,938.54
ASPC-Phoenix	244,343.69	114,301.42	130,042.27
ASPC-Perryville	243,439.74	139,095.84	104,343.90
ASP-Safford	147,948.70	103,072.91	44,875.79
ASPC-Tucson	174,577.96	135,298.43	39,279.53
ASP-Ft. Grant	222,511.21	245,229.72	(22,718.51)
Adobe Mountain Juvenile Institution	26,889.11	30,863.25	(3,974.14)
Catalina Mountain Juvenile Institution	32,660.07	33,074.62	(414.55)
Totals	$1,397,108.03	$953,735.20	$443,372.83

Source: Compiled by Auditor General staff from Appendix, Table 2 and
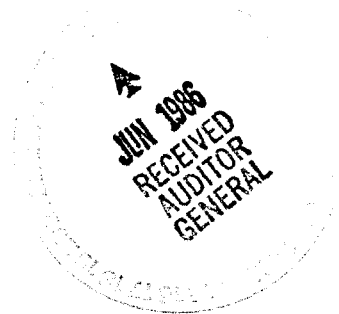Table 3.

Arizona Department of Corrections

BRUCE BABBITT   SAMUEL A. LEWIS
  GOVERNOR   DIRECTOR

June 27, 1986

Douglas R. Norton
Auditor General
Office Of The Auditor General
2700 North Central, Suite 700
Phoenix, Arizona 85004

Dear Mr. Norton,

The attached comments are provided for inclusion in the text of
the published Performance Audit of the Department of Corrections'
Administrative Activities. These comments relate to the Revised
Preliminary Draft Report which was provided with your letter
dated June 20, 1986.

As indicated in our letters regarding the prior drafts of this
report, I am concerned about your staff's omission of certain
input that was provided by our Department to correct errors and
inaccuracies in the report. Furthermore, the report does not
acknowledge that the Department brought many of the items dis-
cussed to your staff's attention. As you are aware, the Depart-
ment is in the process of correcting many of these discrepancies.

I must note that your auditors took over six months to compile
the section of the report pertaining to vehicles. In pre-
vious drafts, they compared the Department's cost per mile to
an industry average. Your staff cited a cost per mile of eight
cents. After minimal research on our part, it was determined
that this cost was totally erroneous. As a result, the revised
report now states that instead of spending $900,000 too much
on vehicles maintenance, a better figure is is $450,000.

As an example of your staff's neglect of the facts is the dis-
cussion of vehicles in which the final report compares this
Department's cost per mile to that of a combination of DOA, DOT
and the City of Phoenix. Why wasn't DOC compared with other
correctional agencies? We repeatedly asked that consideration be
given to the conditions under which our vehicles are operated.
We have unpaved dirt roads around our secure preimeters which
are hot and dusty in the summer and mud in the winter. Our
cost per mile is high due to the wear on the vehicle and the
fact that some vehicles idle at areas of the perimeter or are
driven at five or ten miles per hour around the perimeter.

Although you did not compare our vehicle costs to other correctional agencies, you did unfavorably compare us to other correctional agencies in terms of the number of vehicles per employee. My staff pointed out that we had figures for the States of New Mexico and Oklahoma in which we were compared very favorably. Your comparison did not consider the location or the clustering of facilities within the state. This would, as in the case of Florida, eliminate a large number of vehicles because many of Florida's facilities are clustered in various points throughout the state. We feel that your comparisons are irrelevant and of little use to this Department.

We do agree that our vehicles are high-mileage and, when coupled with their age, are more costly to operate than new vehicles. We believe, however, that we should have been commended for being able to drive more than five million vehicle miles in a given year with as few problems and as low a cost as we are currently operating.

Another example of your staff's disregard for reality is the statement that the Adult Information Management System (AIMS) initial Budget Request was exceeded by at least $575,535; or 50 percent. This statement was discussed with your staff and documentation was provided to prove otherwise, yet we were ignored. The fact is that the initial Budget Request for the AIMS System was approximately $1.4 million and was subsequently adjusted to $1.5 million early in the budget process.

One last item must be added which further reflects on the quality of the report and its accuracy in presenting facts. In the section entitled, "AREAS FOR FURTHER AUDIT WORK", a statement is made that we do not monitor fuel consumption at Catalina Mountain Juvenile Institution (CMJI). This is true. The reason for this is that we have no gas pumps there. The underground storage referred to is diesel fuel for the emergency generators and not for vehicle use.

These instances cause me a great deal of concern with this audit report. Other specifics in the report are discussed in the attached.

Sincerely,

Samuel A. Lewis
Director

Attachment

SAL/RHA/g

FINDING   I

THE DEPARTMENT OF CORRECTIONS'S VEHICLE FLEET IS POORLY MAINTAINED

The Department disagrees with this statement.   The Department has done a commendable job of maintaining what we agree is an aging and high-mileage vehicle fleet.   The Department should be commended for it's ability with limited resources, inadequate maintenance facilities and our recent explosive growth, to be able to do the job it has done.

RECOMMENDATION   1   -   DOC   SHOULD   ESTABLISH   A   STANDARDIZED DEPARTMENTAL PROGRAM

The Department concurs with this recommendation and has taken steps to implement this while the auditors were in the process of conducting this audit.

RECOMMENDATION 2 - DOC SHOULD REVIEW AND UPGRADE ITS VEHICLE MAINTENANCE FACILITIES

The Department of Corrections has already accomplished this and pointed out to the auditors as was stated in their report that studies were conducted.   Further, an item which is not stated but which was pointed out to the auditor was that funds were requested to construct a maintenance facility at Perryville as the first step in this process.   The $695,000 budget request was denied.   It should be noted that the Department has, on several occasions, requested monies to properly upgrade its vehicle facilities but has been unsuccessful in obtaining the proper funds.

RECOMMENDATION 3 - ONCE DOC HAS ESTABLISHED A BETTER MAINTENANCE PROGRAM AND IMPROVED ITS FACILITIES, THE DEPARTMENT SHOULD UPGRADE ITS FLEET.

The Department would very much like to upgrade its fleet and has requested a substantial amount of money in the past to upgrade its vehicles. Due to the emphasis on construction of new facilities, the requests have gone unfunded. It should be noted that the Department estimates if it replaced all vehicles which are over ten years old or have a mileage reading of 100,000, it would cost $2.5 million. This far exceeds the estimated annual savings of $450,000 projected by the auditors.

Several other comments must be made concerning the discussions and conclusions drawn by the auditors in this section of the audit report. First, initial drafts of this report attempted to compare the Department's cost per mile to an industry average of approximately eight cents per mile. Even though the auditors took approximately one year to compile this audit, it took the Department one week to realize that the figure quoted (8¢) would hardly pay for the fuel for an average vehicle the Department operates, such as vans, trucks and busses. The comparison with an industry fleet average of average of passenger vehicles was a totally unfair comparison. This resulted in a completed revision with comparison of this Department now to a composite average of a fleet composed of DOA, DOT and City of Phoenix vehicles. Despite a great deal of discussion from this Department concerning the conditions in which our vehicles are operated, such as using sedans on perimeter patrol or light trucks which travel five to ten miles per hour and stand idling at various places around perimeters for hours on end, no recognition is made of this in the audit report.

No mention has been made of the amount of money requested to replace vehicles in the past or the amount of money requested to upgrade vehicle facilities, even though this information was provided to the auditors.

The central theme of this report is that mis-management, poor maintenance and a lack of vehicle replacement program have resulted in excess expenditures of $443,370 in the operation of our fleet. These operating costs for the Department of Corrections are compared to the Department of Administration, the Department of Trarnsportation and the City of Phoenix. We feel this is a very poor comparison because the Department of Corrections in no way resembles the usage of the these operators.
There are forty-nine other states operating correctional facilities and none of these were chosen for cost comparison. Correctional vehicles often sit on security posts with the engine running and naturally the cost per mile would be higher. Further, our vehicles are operated on perimeter roads that are unpaved, dusty and hard on vehicles. At best, an officer is able to travel only five to ten miles per hour. All of this adds up to more cost and abuse to the vehicle than normal operations.

The other comparison of fleet size to the number of staff leaves a lot to be desired. It does not take into consideration the prison layout, distribution of prisoners throughout the State, and inmate intake and reception practices. The states we have been compared to operate on a clustered prison concept, in that several institutions are located within close proximity of each other. The State of Arizona has chosen to build and operate prisons in remote locations and will be likely to continue to do so in the future. As a result, there will be a continued need for a large vehicle fleet. As a matter of fact, this Department provided the auditors statistics to compare the number of vehicles per staff between our state, New Mexico and Oklahoma which operate facilities spread throughout the state. In both instances, we are compared favorably as Oklahoma's ratio is eight to one and New Mexico's ratio is the same as ours; six to one.

Most audit reports state facts, not opinions. To qualify as a fact, the statement should be proveable. The report states that, "The poor condition of some DOC vehicles makes them unsafe and unreliable." It would be reasonable to assume that such a statement would be supported by statistics, such as accidents per mile or employee injuries per mile. Instead of supporting this strong statement, the report chooses to cite three incidents, two of which are factually incorrect. The Department drives over five million miles per year. We believe a comparison of our safety record to the miles driven would be favorable. The auditors chose not to make this comparison.

It is not practical to suggest a replacement program as suggested by the auditor. The auditors seem to forget that we can only purchase vehicles when funds are appropriated. Further, the report fails to recognize the impact of items on this Department, such as the statement in this year's Appropriations Bill, which requires the Department to obtain used vehicles from the Department of Public Safety after they no longer have need for them. We certainly would like to buy new vehicles but footnotes such as this and the lack of appropriated funds makes it difficult to accomplish.

In summary, this report makes unfair comparisons, ignores pertinent data and comes to unsupported conclusions.

FINDING II

THE DEPARTMENT COULD SAVE BETWEEN $192,000 AND $328,000 A YEAR BY CONTRACTING FOR MORE OF ITS MAINTENANCE SUPPLIES

The Department concurs with the recommendations made in this finding. This section of the report, however, is also a cause for concern regarding the auditor's lack of acknowledgement of the current situation. First, this section of the report addresses a small area of the Purchasing function of the Department. While the auditors spent six months working on this portion of the audit, no mention is made in this section or in the areas for further audit work of any other problems existing in the manner in which Purchasing executes its current tasks. The Department is criticized in this section for not having contracts for more of its maintenance supplies. Since we already have some term contracts in place for our maintenance supplies, the Department should be commended for initiating actions in an area which the Department of Administration has neglected to issue State contracts.

Additionally, confusion exists even at DOA concerning the responsibilities of state agencies purchasing units. In one paragraph of the report, the State Purchasing Officer is reported to have said that Arizona state agencies must play an active role in securing term contracts. Yet, in a subsequent paragraph, a DOA official is reported to have said that a primary reason for the development of PANACEA is so the State's Purchasing Office can increase the amount purchased on State contracts. These statements are contradictory.

As a result of not contracting for more of its maintenance supplies, the report states that the Department did not realize a potential savings of between $192,000 and $328,000. According to a member of the audit staff, the figures quoted in Table 5 of the report as "not amenable to contracts" were based on an estimate (10% of the total maintenance supply expenditures), rather than an analysis of the actual expenditures. Since an analysis of the actual expenditures was not performed to determine which purchases were not amendable to term contracts, the Auditor General has no basis for stating the potential savings figure cited in the report.

In conclusion, we do not disagree with the report in terms of savings being realized if the Department contracted for more of its maintenance supplies. Finally, it must be said that during an initial briefing with the auditors before they began their audit work in this area, we explained that we felt the increased use of term contracts was an area that could be improved upon, not only in this Department but throughout the State. After six months of work, the auditors criticize the Department for not doing something we had already recognized. In addition, the report does not acknowledge the actual work that is being done in this area in total terms. In all fairness, a report of this nature should have given the Department more credit for realizing that this need existed and for already having some contracts in place. Further, no credit was given for our plans to expand the use of term contracts when feasible and as resources, such as PANACEA, become available.

FINDING III

THE DEPARTMENT OF CORRECTIONS NEEDS TO IMPROVE PLANNING FOR AND DEVELOPMENT OF ITS ELECTRONIC DATA PROCESSING SYSTEMS

RECOMMENDATION I

The Department already has prioritized its systems goals and objectives. It has involved the Executive Staff in this process, even though we do not have an executive level "EDP Steering Committee". The results of the Executive Staff's prioritization was the request for an accounting system in the FY 1986/87 Budget Request.

RECOMMENDATION II

The Department EDP Plan must be developed, as required by Statute, by October 15, 1986. This is the first year this Statute is in effect and the Department will comply.

RECOMMENDATION III

The Department already does this, contrary to the audit report.

RECOMMENDATION IV

The Department has already done this and will continue to do so in the future.

RECOMMENDATION V

The audit staff was provided a great deal of information which indicated that the Department had accomplished the needs analysis and feasibility study of its accounting needs, with the help of two different accounting firms. This recommendation is also a moot point since the auditors are aware that the Department has been given funds to proceed with the acquisition of an accounting system with the caveat that a formal needs analysis and feasibility study be contracted for and presented to the Joint Legislative Budget Committee for approval prior to proceeding with expenditure of funds.

As with the other sections, further comment is required in this area. First, the auditor has indicated that the Department missed the total cost of implementation of AIMS by $537,535; or 50 percent of the original budget request. Despite providing the auditor with the original budget submission and updated budget input which clearly indicated that the initial budget request on September 1, 1983 of $1,405,500 and a revised Budget Request on January 25, 1984 of $1,516,600. The auditor's discussion of the AIMS System is also totally erroneous. An example of this is at the top of Page 34 of the report which states that only seven of the twenty-eight AIMS items are currently operational. In fact, there are currently fourteen operational items. We also do not agree that all of the twenty-eight items cited were part of the AIMS package, that is, Adult Information Management System. The list was of requirements deemed necessary for the entire Department at that time. Items such as budgeting, accounting, vehicles and transportation, were not specifically related to AIMS. Further, items such as capital equipment, have been implemented as another system.

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Finally it cannot go unsaid that the list of items that might benefit from automated systems as outlined on Page 39 of the report, was the exact list provided to the auditors by this Department. There is no recognition from the auditors that this list was obtained from Department sources as known requirements.

The Department, therefore, concurs with the recommendations but for different reasons than those outlined in the auditor's report. We disagree with the conclusions and the discussions contained in this section of this report. The examples cited above are only a portion of the items that are erroneous and for which we disagree with this section of the report.