

OFFICE OF PUBLIC ACCOUNTANT
Doris Flores Brooks, CPA, CGFM
Public Auditor

32-14-1831
Office of the Speaker
Judith T. Won Pat, Ed.D.
Date: 07/15/14
Time: 10:10 AM
Received by: CARL TAMCHER

July 14, 2014

Honorable Judith T. Won Pat, Ed.D.
Speaker
I Mina Trentai Dos Na Liheslaturan Guåhan
155 Hesler Place
Hagatna, Guam 96910

GUAM LEGISLATURE
CENTRAL FILES

ACKNOWLEDGEMENT RECEIPT

Received by: ATB
Time: 11:04
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Dear Speaker Won Pat:

Hafa Adai! Transmitted herewith is OPA Report No. 14-03, Department of Corrections (DOC) Cost per Prisoner Calculation. Our audit found that:

- DOC's \$119 cost per prisoner is not accurately calculated, not routinely calculated, and is not reviewed and monitored by management;
- Federal reimbursement rates have not been updated for as long as 11 years and \$299K in billings for housing federal prisoners were not collected due to the lack of reconciliation between DOC and DOA;
- DOC has an inadequate cost reporting and weak accounting infrastructures. Without accurate cost reporting, DOC has limited means to help it perform better and will continue to provide unreliable and inaccurate reporting of incarceration costs. Further, they are unable to substantiate requests to increase the federal per diem rates.

Based on discussions with DOC, we recommend that:

- DOC assign a dedicated non-uniform staff to ensure:
 - Proper data entry, periodic reconciliation, and maintenance of DOC's NaviLine;
 - Development of incarceration cost information, maintain a database by utilizing tools (such as Excel spreadsheets, QuickBooks, etc.), and identify fixed and variable cost; and
 - Proper reconciliation of federal reimbursements by maintaining a database of expected deposits received versus actual deposits received on a monthly basis.

For your convenience, you may also view and download the report in its entirety at www.guamopa.org.

Should you have any questions, please contact Auditor-in-Charge Clariza Roque at 475-0390 ext. 216 or croque@guamopa.org.

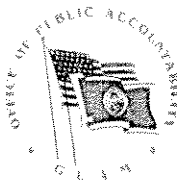
Senseramente,


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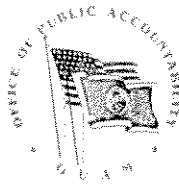
Department of Corrections Cost per Prisoner Calculation

Performance Audit
October 2010 through September 2013

OPA Report No. 14-03
July 2014

Distribution:

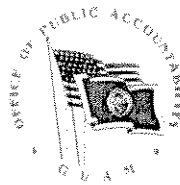
Governor of Guam
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EXECUTIVE SUMMARY
Department of Corrections Cost per Prisoner Calculation
Report No. 14-03, July 2014

Our audit of the Department of Corrections (DOC) cost per prisoner for fiscal year (FY) 2011 through FY 2013 revealed that:

- (1) DOC's most recent cost per prisoner of \$119 for FY 2011 is not accurately calculated.
 - a. Costs could not be verified and appeared to be overstated; and
 - b. DOC's average daily population for FY 2011 of 615, FY 2012 of 600, and FY 2013 of 662 could not be verified;
- (2) DOC did not routinely calculate and monitor cost per prisoner for FY 2012 and FY 2013;
- (3) Federal reimbursement rates have not been updated for over 11 years;
- (4) DOC does not reconcile federal reimbursements and accordingly, billings of \$299 thousand (K) for housing federal prisoners were not collected;
- (5) DOC is unable to calculate the marginal cost per prisoner to aid in policy making decisions; and
- (6) We could not determine DOC's average per diem rate for Guam's off-island prisoner as the only document available is for FY 2014, which we calculated a per diem of \$86 to house 15 of Guam's off-island prisoners.

These conditions occurred because management did not place a priority on tracking cost per prisoner, used a flawed methodology in calculating their cost per prisoner, and has a weak accounting infrastructure. Specifically, DOC does not track their transactions or maintain a database relative to incarceration-specific costs, such as cost for meals, medical and dental care, clothing and rehabilitative services.

Without compiling and analyzing prisoner expenses to identify major cost drivers, DOC management would not be able to monitor expected results, keep operating costs in line, and justify the increase in federal reimbursement rates. This information is also essential in alerting management of waste and inefficiencies of resources and services provided to prisoners.

DOC Cost per Prisoner is Not Accurately Calculated

We found that DOC's reported cost per prisoner of \$119 per day in FY 2011 was inaccurately calculated, for several reasons. First, we found a disparity between the DOC calculation of total annual operating expenditures and the data we received from Department of Administration (DOA). FY 2011 expenditures utilized by DOC totaled \$25.6M, whereas data received from DOA totaled \$23.9M, a 7% difference or \$1.7M. DOC stated that their expenditure calculations included unfunded liabilities, however, DOC could not provide the details for OPA to verify the validity and accuracy of their amounts.

Further, DOC appears to the overstated its reported costs. This occurred because DOC included in its FY 2011 calculation expenditure of funds that should not have been included because they came

from sources outside of DOC's appropriation. Accordingly, the reported \$119 cost per prisoner per day includes some costs that were borne by federal grants and other sources at no cost to DOC.

Finally, we found that DOC used the wrong fiscal year prisoner population in their calculation. DOC used the FY 2012 average daily population of 600 prisoners rather than the FY 2011 average daily population of 615 prisoners based on the Daily Population Statistics Report provided by DOC. Due to the limited access our team was given to the NaviLine system, which is based on inputs of police blotters, we were unable to verify the actual prisoner population. We cross-checked the daily population against three separate reports provided by DOC and found significant variances among them: the Daily Population Statistics Report, the Management Information System Print-Out Report, and the Warden's Report. As all three reports are not reconciled, DOC is unable to ascertain an accurate average daily population when calculating its cost per prisoner.

Federal Reimbursement Rates Have Not Been Updated

DOC attempted to calculate its cost per prisoner in order to determine whether the federal government was underpaying them. We found that the per diem rates have not been updated for as long as 11 years. Specifically, the agreement with the U.S. Marshals Service was last updated in October 2002 with a per diem rate of \$75 per prisoner day and the Immigration and Naturalization Service agreement was last updated in May 2001 with a detainee day rate of \$50.01. Without maintaining an accounting system and financial records, DOC will not be able to substantiate any request to increase the federal per diem rates. In addition, we found \$299K in billings that were not reimbursed or recorded within the DOA AS400 due to the lack of reconciliation between DOC and DOA and no running log tracking reimbursements received against claims.

Marginal Cost per Prisoner is an Important Measure for Policy Making Decisions

With discussions on deportation and other concerns surrounding Guam's criminal justice system, the only cost information available to policymakers for assessing impacts of policy changes was DOC's \$119 calculation of average daily cost. However, when evaluating the impact of specific policy changes, *marginal cost* is a more appropriate measure. Using average cost (instead of marginal cost) overestimates the cost per prisoner because average cost includes fixed costs, such as administrative, utilities, and overhead costs that may not be affected by limited decreases or increases in the prisoner population. In contrast, marginal cost only includes those costs directly related to prisoners which change immediately as prisoner counts increase or decrease. Examples of marginal costs include costs for medical, dental, and food.

However, use of marginal costs for policy making would be most effective if it represented all aspects of the criminal justice system. Specifically, reliance on marginal costs based solely on those that fall within DOC's budget will not provide a clear picture of the total cost to tax payers. As such, the Legislature should enter into discussions with all key players in the island's criminal justice system to include the Attorney General's Office, Guam Police Department, and the Judiciary to determine whether the development of the marginal cost is desirable for appropriate benchmarking and decision-making.

DOC Marginal Cost to House Off-Island Guam Prisoners Could Not be Verified

We were unable to verify DOC's FY 2011 through FY 2013 costs to house prisoners off-island. We requested a copy of DOC agreements with off-island facilities or BOP. However, as of the date of this report, no agreements or invoices from fiscal years 2011 through 2013 were provided to verify off-island costs and per-diem rates. Based on a December 2013 invoice, DOC is paying from a low of \$78 (in South Carolina, Arizona, and Oklahoma) to a high of \$101 (in Hawaii) to house 15 off-island Guam prisoners resulting in an average per diem rate of \$86. It should be noted that off-island per diem costs should be compared to DOC's *marginal* costs, not the total average cost. This is because off-island prisoner costs behave like marginal costs—when the prisoner is no longer housed at the off-island facility, all costs for that prisoner are eliminated. In contrast, fixed costs at Guam facilities continue to be incurred even if prisoner numbers drop.

Conclusion and Recommendations

DOC has an inadequate cost reporting system and weak accounting infrastructure that hinder them in calculating accurate cost per prisoner. As a result, they have insufficient data to allow them to measure their performance and they are unable to substantiate requests to increase the federal per diem rates. To address these issues, we recommend: 1) DOC assign a non-uniform staff, such as a management analyst or a related position, to develop incarceration cost information, maintain its database (by utilizing tools, such as Excel spreadsheets, QuickBooks, etc.), and to conduct proper data entry, periodic reconciliation, and maintenance of DOC's NaviLine; and 2) DOC management routinely review and monitor cost per prisoner, reimbursements from the Federal Government, and billings to house off-island prisoners and collect all overdue payments and accrued interest, if necessary. In addition, DOC should coordinate with DOA regarding the collectability of the \$299K discrepancy.

On June 26, 2014, OPA met with DOC officials to discuss the audit report. DOC management concurred with the findings and recommendations and provided their official response on July 2, 2014.



Doris Flores Brooks, CPA, CGFM
Public Auditor

Glossary¹

Average Cost: The total cost of all output divided by the total number of outputs.

Fixed Cost: The cost that remains constant, even when the number of outputs changes.

Marginal Cost: The amount of change in total cost when a unit of output changes.

Prior-Year Obligations: Liabilities from the prior year that have not been recorded, encumbered or submitted to the Department of Administration (DOA) for processing and would include, but not be limited to, the following transaction types:

- Unpaid contractual services as the result of contractual irregularities.
- Unprocessed vendor invoices.
- Promised compensation due to unprocessed, but authorized detailed appointments that lack preapproval clearance.
- Promised compensation due to prior military services.
- Unpaid but authorized overtime due to insufficient appropriations or cash.
- Pending obligations not submitted to the DOA Division of Accounts such as: a) Pending Guam Memorial Hospital Authority billings; b) Billings owed to specific federal departments for services rendered to the Government of Guam; c) Billing of solicited attorney services.
- Government of Guam Claims approved by the Attorney General.
- Pending litigations and court orders or decrees.
- Disallowed cost of federal grants.
- Legislative mandated payments (i.e., Doc Sanchez one step merit increase).
- Unpaid utilities obligations.

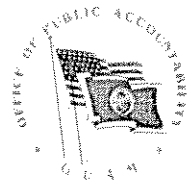
(See also Unfunded Liabilities below.)

Step-Fixed Cost: The cost that remains constant for a certain range of output but changes when outputs exceed or falls below a certain threshold.

Unfunded Liabilities: Medical related and miscellaneous vendors' invoices that were not timely processed and are reported as prior-year obligations in DOC's annual budget. (See also Prior-Year Obligations above.)

Variable cost: The cost that changes directly in proportion to outputs; also called short-run marginal cost.

¹ Definitions obtained from "A Guide to Calculating Justice-System Marginal Cost" by Vera Institute of Justice, May 2013; Bureau of Budget and Management Research Circular No. 11-02; and per correspondence with DOC Administrative Services Officer.



OFFICE OF PUBLIC ACCOUNTABILITY
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Introduction

This report presents the results of our audit of the Department of Corrections (DOC)'s reported cost per prisoner for the three-year period from October 1, 2010 to September 30, 2013. The audit was conducted as part of the Office of Public Accountability (OPA)'s annual work plan as well as its overall strategic plan to have the Government of Guam (GovGuam) as the model for good governance in the Pacific. Our objective was to determine the accuracy and validity of DOC's cost per prisoner.

The audit objectives, scope, methodology and prior audit coverage are detailed in Appendix 2 ~ 3.

Background

DOC is a GovGuam line agency mandated to protect the public from the destructive action of law offenders through control and rehabilitation. DOC provides staff services for the Judiciary, the Parole Board, probation officers, and interested agencies of the Executive Branch. These responsibilities are carried out by more than 200 employees who staff DOC's four divisions: Administration, Prison Security, Diagnostic Treatment Services, and Parole Services. DOC's staff consists primarily of corrections officers and guards.

The DOC Director's Office is responsible for the general management of the prisoner population (composed of inmates, detainees, and federal prisoners). The office provides financial and logistical services to all divisions of the department. Other functions include budgetary control and monitoring expenditures. DOC finance and administration is headed by an Administrative Services Officer who is assisted by a Property Management Officer, a Personnel Officer, and a Clerk.

DOC Expenditures and Funding Sources

From Fiscal Year (FY) 2011 through FY 2013, DOC expenditures were funded from several sources to operate and maintain its facilities: (1) the General Fund, (2) Federal Grants Assistance, (3) DOC Inmates Revolving Fund, (4) Supplemental Appropriation Revenue, (5) Territorial Education Facilities Fund, and (6) Safe Streets Act Fund. Refer to Table 1 below for expenditures from each funding source.

Table 1: DOC Expenditures

| FUND NAME | FY 2011 | FY 2012 | FY 2013 | GRAND TOTAL |
|---|---------------------|---------------------|---------------------|----------------------|
| GENERAL FUND | \$20,558,412 | \$15,845,289 | \$20,217,265 | \$ 56,620,967 |
| FEDERAL GRANTS ASSISTANCE | 554,608 | 1,955,224 | 1,432,894 | 3,942,726 |
| DOC INMATES REVOLVING | 1,063,662 | 659,878 | 544,310 | 2,267,850 |
| SUPPLEMENTAL APPROPRIATION REVENUE - SAR* | 1,642,771 | 1,273 | - | 1,644,044 |
| TERRITORIAL EDUCATION FACILITIES FUND* | - | 1,534,142 | - | 1,534,142 |
| SAFE STREETS ACT | 94,807 | 68,608 | 77,245 | 240,660 |
| GRAND TOTAL | \$23,914,261 | \$20,064,414 | \$22,271,714 | \$ 66,250,389 |

* Per Public Laws 31-74 and 31-77, the SAR and Territorial Education Facilities funds were one-time appropriations by the Legislature during fiscal years 2011 and 2012 for payment of prior year overtime and prior and current year obligations for prisoners confined in federal facilities of the Federal Bureau of Prisons.

Federal Grants Assistance

Federal grants assistance includes funding from the Compact Impact Assistance Grant and the State Criminal Alien Assistance Program (SCAAP). SCAAP is administered by the Bureau of Justice Assistance, Office of Justice Programs, and U.S. Department of Justice, in conjunction with the U.S. Department of Homeland Security. SCAAP provides federal payments to states and localities that incurred correctional officer salary costs for incarcerating undocumented criminal aliens who have at least one felony or two misdemeanor convictions for violations of state or local law, and who are incarcerated for at least four consecutive days during the reporting period.

DOC Inmates Revolving Fund

The DOC Inmates Revolving Fund was created by Executive Order 94-17 and is administered by DOC. Revenues are generated from funds collected for housing U.S. prisoners and detainees, meals charged to DOC employees, and sale of wet garbage (pig slop) to private persons. Expenditures are for purchases of clothing, food, equipment, medical supplies and medicines for prisoners and detainees. This fund also includes a percentage of Paytel (pre-paid telephone service) and vending machine revenue.

DOC has an Intergovernmental Service Agreement (IGA) with other federal agencies for the care and custody of federal prisoners to include housing, safekeeping, and subsistence of federal prisoners. Federal prisoners are provided the same treatment as local prisoners, which include medical services. These services and resources are reimbursed to DOC at a per diem rate, which are then deposited into the DOC Inmates Revolving Fund.

Safe Streets Act Fund

The Safe Streets Fund was created by Public Law 22-41 to account for fines collected for certain offenses involving alcohol and controlled substances, convictions involving children, vehicular negligence and homicide, and drinking while driving a motor vehicle. Portions of the fund as is required is appropriated to DOC to be used to compensate staff and provide supplies or facilities to house incarcerated persons convicted of misdemeanors and persons convicted of the above-mentioned offenses.

DOC Prisoner Composition

DOC's prisoner composition is comprised of inmates, detainees, and federal prisoners. Inmates are individuals who have been convicted of a felony or a crime of moral turpitude. In contrast, a detainee is one who is awaiting judicial disposition. Furthermore, a federal prisoner is a person charged with or convicted of violations of federal law. Costs associated and services provided to federal prisoners are paid by the Federal Government. Federal prisoners are housed separately from DOC's local prisoners. DOC also sends prisoners off-island for reasons such as physical or mental condition of an inmate or overcrowding. A separate audit is being conducted regarding the prison facilities' state of condition.

We requested a daily population count of inmates and detainees by post, as well as daily off-island prisoner population, but DOC has not provided a breakdown as of the date of this report.

Results of Audit

Our audit of the DOC cost per prisoner for FY 2011 through FY 2013 revealed that:

- (1) DOC's most recent cost per prisoner of \$119 for FY 2011 is not accurately calculated.
 - a. Costs could not be verified and appeared to be overstated; and
 - b. DOC's average daily population for FY 2011 of 615, FY 2012 of 600, and FY 2013 of 662 could not be verified;
- (2) DOC does not routinely calculate and monitor cost per prisoner for FY 2012 and FY 2013;
- (3) Federal reimbursement rates have not been updated for over 11 years;
- (4) DOC does not reconcile federal reimbursements and accordingly, billings of \$299 thousand (K) for housing federal prisoners were not collected;
- (5) DOC is unable to calculate the marginal cost per prisoner to aid in policy making decisions; and
- (6) We could not determine DOC's average per diem rate to house Guam's off-island prisoners. The only document available is for FY 2014, which we calculated a per diem of \$86 for 15 off-island prisoners.

These conditions occurred because management did not place a priority on tracking cost per prisoner, used a flawed methodology in calculating their cost per prisoner, and has a weak accounting infrastructure. Specifically, DOC does not track their transactions or maintain a database relative to incarceration costs, such as cost for meals, medical and dental care, clothing and rehabilitative services.

Without compiling and analyzing prisoner expenses to identify major cost drivers, DOC management would not be able to monitor expected results or justify the increase in federal reimbursement rates. This information is also essential in alerting management of waste and inefficiencies within the resources and services provided to prisoners.

DOC Cost per Prisoner is Not Accurately Calculated

We found that DOC's FY 2011 cost per prisoner of \$119 per day was inaccurately calculated. It appears management did not review the calculation as it was based on a flawed methodology that utilized data from different fiscal years. Further, it appears that management does not monitor the performance of prisoner costs as cost per prisoner per day was not routinely calculated during each of the three fiscal years audited. Without the analysis and monitoring of the cost per prisoner, DOC management may not be alerted to waste and inefficiencies within the resources and services provided to prisoners.

Figure 1: DOC's FY 2011
Cost per Prisoner Calculation

| | |
|--------------------------------|-----------------|
| Annual Operating Expenditures: | \$24,500,000.00 |
| Medical: | \$800,000.00 |
| Medication: | \$300,000.00 |
| Total Expenditures: | \$25,600,000.00 |
| Average Inmate Population | 600 |
| Cost per Prisoner per Year: | \$42,666.67 |
| Cost per Prisoner per Month: | \$3,556 |
| Cost per Prisoner per Day: | \$119 |

In 2012, a Guam Police Department (GPD) Police Captain calculated DOC's daily cost per prisoner to determine whether the federal government was underpaying DOC. The \$119 per prisoner per day was calculated on an average cost basis. This involved dividing the total annual

operating expenditures for FY 2011 by the average DOC daily population resulting in an annual cost per prisoner of \$43 thousand (K). DOC further divided this annual cost by 12 months and then by 30 days, resulting in a monthly and daily cost per prisoner of \$4K and \$119, respectively. See Figure 1 for DOC's calculation.

DOC Overstated Costs

In understanding the expenditures that were included in the cost component of DOC's cost per prisoner, DOC indicated that it based its calculations on AS400 data. As noted previously, expenditures were made from several funds. These were: (1) the General Fund, (2) Federal Grants Assistance, (3) DOC Inmates Revolving Fund, (4) Supplemental Appropriation Revenue, (5) Territorial Education Facilities Fund, and (6) Safe Streets Act Fund.

Upon verification with the FY 2011 amounts recorded in DOA's AS400, we found that the annual expenditures utilized in DOC's calculation did not match. DOC's FY 2011 expenditures totaled \$25.6 million (M), whereas data received from DOA totaled \$23.9M, a 7% difference or \$1.7M.

We also found that expenditures from certain funds should not have been included in its calculation because they did not affect DOC's appropriations and were not technically a cost to DOC. These include Federal Grants Assistance Fund comprised of SCAAP program funding and other Federal funds wherein expenditures are paid outside of DOC's appropriations and lower the cost to DOC. The DOC Inmates Revolving Fund is a self-supporting fund wherein expenditures are substantially recovered by federal reimbursements and are not costs to DOC. Additionally, some funds were used to pay for prior-year obligations, which were costs incurred outside the accounting period.

As previously mentioned, DOC sends prisoners off-island for situations in which inmates have a physical or mental condition or to alleviate overcrowding. Although the Bureau of Prison (BOP) expenditures of \$705K was paid from the General Fund, it should be excluded from DOC's annual operating costs when calculating cost per prisoner on-island as it is an expense for Guam off-island prisoners.

As a result, we calculated the annual operating costs to be factored into DOC's cost should have been \$19.9M. This amount represents the on-island operating expenditures over which DOC has control and will allow management and policymakers to identify cost savings, inefficiencies, or areas of improvement within DOC. See Table 1 below for details.

Table 1: Analysis of DOC Costs (per AS400)

| ANNUAL OPERATING EXPENDITURES | FY 2011 | NOTES |
|--|----------------------|---|
| TOTAL ANNUAL OPERATING EXPENDITURES | \$ 23,914,261 | |
| LESS: FEDERAL GRANT ASSISTANCE FUND EXPENDITURES | \$ 554,608 | SCAAP program funding and Federal funds (outside of DOC appropriations). |
| LESS: DOC INMATES REVOLVING FUND EXPENDITURES | \$ 1,063,662 | Self-supporting fund and includes federal reimbursements (no cost to DOC). |
| LESS: SUPPLEMENTAL APPROPRIATION REVENUE FUND EXPENDITURES | \$ 1,642,771 | Expenditures were for obligations prior to FY 2011 (outside the accounting period). |
| LESS: BOP PAYMENTS FROM THE GENERAL FUND | \$ 704,969 | These amounts were for BOP payments (off-island prisoners). |
| TOTAL ANNUAL OPERATING EXPENDITURES (PER OPA) | \$ 19,948,251 | |

As part of their cost determination, DOC included unfunded liabilities in their overall expenditures. These are expenses DOC is obligated to pay, but exceed the value of funds available to pay for them. These include expenses incurred for medical care of the prisoners and other operational expenses, which also become a prior-year obligation when not processed on a timely basis. We agree to DOC's inclusion of unfunded liabilities as these costs were incurred by DOC for on-island prisoners despite DOC not having the capacity to pay for the goods or services. These liabilities are not recorded in the DOA AS400 because DOA accounting will not accept or record transactions until legislative approval is received to pay for these prior-year obligations. However, DOC could not provide the details of the unfunded liabilities presented in their calculation to enable OPA to verify the validity and accuracy of their amounts.

Overall, for an appropriate total annual prisoner cost per diem, DOC would need to analyze their annual expenses to determine what to exclude and include to avoid overstating their cost per prisoner. DOC costs should be net of expenditures paid by reimbursements and grants as these amounts would technically not be a cost to the department. DOC should ensure the expenditures in their calculation are relative to the accounting period they are performing their calculation. That is, use only FY 2012 expenditures for an FY 2012 cost per prisoner. This would also apply to unfunded liabilities as these costs were incurred by on-island prisoners despite DOC not having the capacity to pay for the goods or services. Further, payment for off-island prisoners should not be included in the calculation if DOC's objective is to calculate the cost per prisoner housed on-island.

DOC's Prisoner Population Data is Not Reliable

The second key component for calculating cost per prisoner involves an accurate count of the daily inmate and detainee population, as these population vary from day to day. For the daily prisoner population, DOC utilized data from its Daily Population Statistics Reports, which are compiled based on police blotters inputted into the NaviLine system. Due to the limited access our team was given to the NaviLine system, we were unable to verify the accuracy and completeness of the data provided in the Daily Population Statistics Report. The daily population figure reported by the NaviLine system did not reconcile to two other daily population statistics reports provided by DOC. We also found that DOC utilized the FY 2012 average daily population of 600 prisoners based on its Daily Population Statistics Reports instead of the FY 2011 average daily population of 615 prisoners in their cost per prisoner calculation.

NaviLine is a web-based jail management system that provides an efficient way to track and report on all aspects of a prisoner's confinement. Detailed and customized reports of NaviLine data are created through a supplemental software called COGNOS. Some of its key features are tracking prisoner census, property management (intake and issuances), and prisoner classification and reclassification. Through NaviLine, DOC prepares a prisoner count report on a daily basis to determine the count for the day and daily meal preparation counts.

DOC was unable to reconcile NaviLine information from part of FY 2011 and prior. As a result, the data reported does not reconcile with manual and system counts contained in statistical reports. It appears data continues to be unreliable due to the lack of a dedicated non-uniform staff to input data on a timely basis, perform periodic reconciliation, and maintain pertinent documents, such as activity blotters. For example, for FY 2013, we attempted to cross-check data provided in a Daily

Population Statistics Report against the Management Information System Print-Out (MISPO) Report and Warden's Report. For January 1, 2013, we noted that the MISPO report indicated a total of 589 prisoners compared to 620 prisoners in the Daily Population Statistics Report. Both reports were said to have been derived based on data from NavilLine. Although, the MISPO report included the counts for off-island prisoners, it reported a lesser prisoner count than the Daily Population Statistics Report, which excludes off-island prisoner counts. On the other hand, the Warden's Report indicated a population count of 597, which is based on a daily manual count of all prisoners per housing unit. As all three reports are not reconciled, DOC is unable to ascertain an accurate average daily population when calculating its cost per prisoner.

DOC utilizes two Corrections Officers and a Social Worker III to conduct data entry and submit prisoner statistics to other GovGuam agencies and the Legislature. The two officers (a Corrections Officer Supervisor II and a Corrections Officer II) are not solely dedicated to data entry and statistical duties. As a result, these DOC corrections officials are burdened with collateral duties of inputting data on a daily basis and rectifying errors within the NavilLine system on top of their regular duties.

We recommend DOC assign a dedicated non-uniform employee for the proper data entry, periodic reconciliation, and maintenance of DOC's NavilLine. However, according to DOC, hiring a non-uniform staff is not at the forefront of the department's needs. By utilizing uniformed staff, these collateral duties may be costing DOC more than \$20 per hour per employee whereas a dedicated staff such as a management analyst or a related position who can gather and analyze information and may be compensated at a lower rate. This would be more efficient and cost-effective for DOC. The necessity to perform collateral data-related duties compromises the direct service and initial assignments of these corrections officers and social worker. Also, the integrity of the data is compromised due to the inputting lags, increased human error, and lack of reconciliation.

Management Does Not Routinely Calculate and Monitor Cost per Prisoner

We found that DOC did not calculate their cost per prisoner for FY 2012 and FY 2013. As DOC does not routinely calculate its cost per prisoner, management is unable to monitor trends in its cost and performance to make decisions for improvement. The conditions occurred because DOC has a weak accounting infrastructure and does not track their transactions on a database relative to incarceration costs, which renders routine monitoring of cost per prisoner into an extraordinary effort.

The cost data would be useful to compare DOC against its own historical performance or compare specific cost components for best practices. Without accurate and reliable cost data, DOC cannot appropriately address their continuing problems, such as budget constraints and control over personnel overtime due to lack of manpower.

Weak Accounting Infrastructure

We found that DOC has a weak accounting infrastructure due to the lack of qualified personnel, such as a management analyst who can develop, gather, and analyze appropriate data to report to DOC management. Instead of routinely developing cost information and reports, they are generated when requests are submitted. DOC does not track their transactions on a database, has

disorganized recordkeeping, and is unable to generate reports or financial information relative to incarceration costs.

To strengthen DOC's accounting infrastructure, there is a need to staff this responsibility with qualified personnel charged with the responsibility of producing meaningful and accurate financial record keeping and management reporting. Also, management should ensure personnel responsible for the financial reporting process are trained in using DOC's information systems, such as the DOA AS400 and NaviLine, and its functions.

DOC Does Not Have a Prisoner Cost Database

Since DOC is a line agency, they submit all invoices and purchase orders (including contracts with food services and pharmaceuticals) to DOA for input into the AS400. According to the DOC ASO, the department forwards all expenditures to DOA. Reports produced by DOC are mainly budget-related expenditure reports, such as operations, breakdown of cost per budget line-item, and analysis of food cost. Most of these reports are generated through Excel. Though the AS400 is a reliable database in tracking DOC expenses, it does not provide specific categories to assist DOC in analyzing their incarceration costs.

Although the department has the capacity to compile data related to prisoner costs, we found that DOC does not maintain a database of all types of prisoner expenses. By maintaining such a database, DOC management can monitor trends in a variety of cost categories, which may alert management to waste and inefficiencies within the resources and services provided to prisoners. Without such a database, DOC is unable to generate reports or financial information relative to specific incarceration costs, such as cost for meals, healthcare, clothing, and rehabilitative services.

The ASO maintains a simple vendor database on Excel specifically for medical billings. Dental and medical costs vary from each fiscal year and are provided to the Legislature and Governor's Office on an as-needed basis. This database is a good start, especially with the risk of unforeseen illnesses of future inmates or detainees that DOC would need to provide treatment for. However, management should include other prisoner expenses, such as food services and transportation costs, to provide a better picture of incarceration costs.

To address these issues, we recommend DOC review and monitor cost per prisoner. In order to do so with reliable information, we recommend DOC assign a non-uniform staff, such as a management analyst or a position with related qualifications, to input incarceration information and maintain a database by utilizing tools, such as Excel spreadsheets, QuickBooks, etc.

Federal Reimbursement Rates Have Not Been Updated and Reconciled

DOC's attempt to calculate its cost per prisoner was intended to determine whether the federal government was underpaying them. We found that the per diem rates have not been updated for as long as 11 years. Specifically, the U.S. Marshals Service (USMS) Intergovernmental Service Agreement (IGA) was last updated in October 2002 and the Immigration and Naturalization Service (INS) agreement was last updated in May 2001. Federal prisoners under the Immigration Customs Enforcement (ICE) program are covered under the USMS IGA.

According to the prior DOC Director, DOC accounted for actual expenditures related to prisoner care (i.e., food, officer's pay, medical, transport to court, utilities, etc.) and prorated these against the number of inmates to determine an appropriate per diem rate. The costs with the USMS were then adjusted as some collateral costs were not offered to federal detainees, such as education or work-release transport. DOC did not want costs per federal detainee to be less than the cost per local prisoner without proper justification. However, this system does not appear to have been maintained over the years.

Per Diem Rate Increases need to be Substantiated

According to the USMS IGA, when a rate increase is desired, DOC agrees to provide additional cost information to support the requested rate increase and to permit an audit of accounting records upon request of the USMS. The criteria used to evaluate the increase or decrease in the per diem rate shall be those specified in the Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. DOC is also required to establish and maintain accounting systems and financial records that accurately account for the funds awarded. In addition, USMS shall be notified by DOC of any significant changes in the level of services under the IGA. The notification shall be supported with sufficient cost data to permit the USMS to equitably adjust the per diem rates included in the IGA.²

We found that DOC does not maintain an accounting system or adequate financial records to justify any request to increase the federal per diem rates.

DOC is reimbursed a per diem rate of \$75 per federal prisoner per day from BOP, USMS, and the ICE Program. Based on an IGA with the INS, the reimbursement for the care and custody of INS prisoners is at a detainee day rate of \$50.01. Although these reimbursements cover a substantial portion of DOC's estimate of average costs, DOC needs to familiarize themselves with OMB Circular A-87 as a basis for supporting requests to adjust the reimbursement rates, which uses a different methodology than calculating DOC's average cost per prisoner.

Federal Reimbursements Were Not Reconciled

Between FY 2011 to FY 2013, DOC billed BOP, USMS, and ICE a total of \$4.2M in reimbursements for housing federal prisoners. Refer to Appendix 4 for a detail of monthly reimbursements. The reimbursements are deposited into the DOC Inmates Revolving Fund. During our review of the deposits, we found \$299K of the \$4.2M billings were not reimbursed or recorded in the DOA AS400. DOC did not discover the discrepancies was not discovered due to the lack of reconciliations and no running log of reimbursements received against claims submitted. We recommend that DOC strengthen their reconciliation process for federal reimbursements and billings to house federal prisoners by assigning a non-uniform staff to maintain a database of expected deposits received versus actual deposits received and conduct such reconciliation on a monthly basis as well as collect all accrued interest on overdue payments, if needed. We also recommend DOC to coordinate with DOA regarding the collectability of the \$299K discrepancy.

² Part 4 of Article VI; Part 5 of Article VI; and Article IX, USMS IGA

Marginal Cost per Prisoner is Important for Policymaking Decisions

With discussions on deportation and other concerns surrounding Guam’s criminal justice system, policymakers have used DOC’s average cost per prisoner of \$119 as one of their tools to assess concerns and the need for policy changes. Although this average cost is valid internally as a convenient method for DOC to monitor its performance, a more useful measure for policymakers would be marginal cost. Marginal cost enables policymakers and management to conduct a cost-benefit analysis to assess the effect of specific policy changes.

DOC is Unable to Calculate its Marginal Cost per Prisoner

According to a study by Vera³ on “Calculating Justice-System Marginal Costs,” one of the fundamental errors that can be made is when the average cost method is used rather than marginal cost method. The average cost method overestimates the cost per prisoner because it includes fixed costs, such as administrative, utilities, and overhead costs that may not be affected by increases or decreases in the prisoner population. In contrast, marginal costs only includes costs directly related to prisoners and change immediately as prisoner counts increase or decrease. Marginal costs are otherwise known as variable costs. Examples include costs for medical, dental, and food.

To illustrate the importance of using marginal costs for policy analysis, using DOC’s FY 2011 calculation of its annual cost per prisoner of \$43K, leads to a misconception that decreasing the population by one prisoner will save \$43K a year. However, the cost of \$43K includes fixed costs such as administration, utilities, and rent that will not change with a slight decrease to the prison population. Calculating the marginal cost per prisoner will allow management and policymakers to correlate the costs that are affected with even slight changes to the prison population, such as food, clothing, medical, and other variable costs.

To calculate marginal cost, a detailed line-item budget is needed to distinguish between variable, step-fixed, and fixed costs. See Figure 2. Vera provides guidance on each of these categories.⁴

Ultimately, the determination of what should be counted as variable, fixed, and step-fixed costs are made by the department. Marginal cost depends on the size of the change in workload

(prisoners) and how government adjusts the budget in response to this change. Costs that change

Figure 2: Examples of Variable, Fixed, and Step-Fixed Costs

| VARIABLE | FIXED | STEP-FIXED |
|---|---|---|
| <ul style="list-style-type: none"> • Overtime • Supplies • Contracted services • Client subsidies • Travel • Fuel • Food | <ul style="list-style-type: none"> • Rent • Utilities • Central administration (human resources, fiscal, legal, etc.) • Debt service • Equipment | <ul style="list-style-type: none"> • Staff salaries • Fringe benefits, such as health care and pension contributions • Possibly some fixed costs when staffing levels change by a large amount |

³ The Vera Institute of Justice (Vera) is an independent nonprofit organization that combines expertise in research, demonstration projects, and technical assistance to help leaders in government civil society improve the systems people rely on for justice and safety.

⁴ A Guide to Calculating Justice-System Marginal Costs

(<http://www.vera.org/sites/default/files/resources/downloads/marginal-costs-guide.pdf>)

immediately with even a small change in workload are often called short-run marginal costs. When there is a change in policy or a new policy is established that either increases or decreases the prisoner population beyond a pre-determined threshold, step-fixed costs such as DOC's staffing levels and related costs should be considered. However, the government may take time to change these step-fixed costs.

As mentioned previously, we found that DOC does not track their transactions by cost categories such as meals, clothing, supplies, etc., which will allow them to appropriately categorize costs as variable, fixed, or step-fixed. This hampers their ability to readily calculate average cost, much less marginal cost. Once DOC has created a reliable database and continuously calculates an accurate average cost, marginal cost would be the next step to further analyze their incarceration costs for inefficiencies. DOC would need to understand and identify variable costs in order to calculate their marginal cost. By identifying, compiling, and analyzing variable costs, DOC management can monitor trends in a variety of categories and implement cost containment strategies accordingly.

We recommend that DOC identify their fixed and variable costs and establish a database accordingly, which is vital to the effective use of accounting information for managerial decision making.

However, the reliance on marginal costs calculated solely based on DOC's budget will not provide a clear picture of the cost to taxpayers. For example, if decision makers are studying an investment shown to reduce burglaries, it would likely lead to fewer arrests, fewer court cases, and fewer days in jail. To consider the effect this change will have on justice-system resources, knowing how many fewer arrests, cases, and days in jail there will be is important. Figure 3 provides a list of marginal costs commonly used in a cost-benefit analysis to measure the impact on taxpayers. The change in justice-system workload (for example, arrests), is then multiplied by the marginal cost of that activity or resource.

Figure 3: Commonly Measured Taxpayer Costs in Justice-System Cost-Benefit Analyses

- Law enforcement (per arrest)
- Courts (per case)
- Jails and prisons (per inmate)
- Probation and parole (per supervisee)
- Juvenile detention and commitment (per youth)
- Juvenile supervision (per youth)
- Criminal justice programs (per participant)

As such, the Legislature should enter into discussions with all key players in the island's criminal justice system to include the Attorney General's Office, Guam Police Department, and the Judiciary to determine whether the development of the marginal cost is desirable for appropriate benchmarking and decision-making.

DOC Marginal Cost to House Off-Island Guam Prisoners Could Not be Verified

When policy makers make comparisons of off-island prisoner costs to those housed on Guam, the comparisons should be made to Guam's marginal (not average) per diem cost. We were unable to

verify DOC's FY 2011 through 2013 costs to house off-island prisoners. We requested a copy of DOC agreements with off-island facilities or BOP. However, as of the date of this report, no agreements or invoices from fiscal years 2011 through 2013 were provided to verify off-island costs and per-diem rates. In addition, since the updated agreements were not provided, we were unable to ascertain whether or not per-diem rates increased over time.

Based on a December 2013 invoice, DOC paid \$39K to house 15 inmates at off-island facilities or an average per diem rate of \$86. DOC is paying per diem at a low of \$78 in Arizona, Oklahoma, and South Carolina to a high of \$101 in Hawaii for these 15 prisoners. It should be noted that off-island per diem costs should be compared to DOC's *marginal* costs, not the total average cost. This is because off-island prisoner costs behave like marginal costs---when the prisoner is no longer housed at the off-island facility, all costs for that prisoner are eliminated. In contrast, fixed costs at Guam facilities continue to be incurred even if prisoner numbers drop. Refer to Table 2 below for details of per diems from each facility.

Table 2: Facilities and Per Diem for Off-Island Guam Prisoners

| STATE | FACILITY | PER DIEM |
|------------------------------|-----------------------------|-----------------|
| HAWAII | USP ⁵ LOMPOC | \$ 101.33 |
| CALIFORNIA | USP ATWATER | \$ 98.09 |
| KENTUCKY | USP MCCREARY | \$ 98.09 |
| ALABAMA | FCI ⁶ TALLADEGA | \$ 94.31 |
| CALIFORNIA | RRM ⁷ SACRAMENTO | \$ 94.31 |
| ARIZONA | FCI TUCSON | \$ 80.71 |
| CALIFORNIA | FCI VICTORVILLE MEDIUM II | \$ 80.71 |
| COLORADO | USP FLORENCE - HIGH | \$ 80.71 |
| COLORADO | USP FLORENCE ADMAX | \$ 80.71 |
| FLORIDA | USP COLEMAN I | \$ 80.71 |
| PENNSYLVANIA | USP ALLENWOOD | \$ 80.71 |
| TEXAS | USP BEAUMONT | \$ 80.71 |
| ARIZONA | FCI PHOENIX | \$ 77.98 |
| OKLAHOMA | FCI EL RENO | \$ 77.98 |
| SOUTH CAROLINA | FCI WILLIAMSBURG | \$ 77.98 |
| AVERAGE PER-DIEM RATE | | \$ 85.67 |

While the per-diem noted for each off-island facility is their average cost, it should be treated as the marginal cost for housing DOC prisoners' off-island.

⁵ United States Penitentiary (USP)

⁶ Federal Correctional Institute (FCI)

⁷ Residential Reentry Management (RRM)

Conclusion and Recommendations

With discussions on deportation and other concerns surrounding Guam's criminal justice system, policymakers have used DOC's average cost per prisoner of \$119 as one of their tools to assess concerns and policy changes. However, we found that DOC's \$119 cost per prisoner is not accurately calculated, not routinely calculated, and is not reviewed and monitored by management. In addition, we found that federal reimbursement rates have not been updated for as long as 11 years and \$299K in billings for housing federal prisoners were not collected due to the lack of reconciliation between DOC and DOA.

Cost per prisoner is a valuable tool for management and policymakers in decision-making and creating solutions for the DOC facilities' problems. Without compiling and analyzing prisoner expenses to identify major cost drivers, DOC management is not able to monitor expected results or justify any increase in federal reimbursement rates. In addition, the Legislature should consider implementing a policy requirement for marginal cost reporting for all key players in the island's criminal justice system for appropriate benchmarking and decision-making.

DOC has an inadequate cost reporting and weak accounting infrastructures. Without accurate cost reporting, DOC has limited means to help it perform better and will continue to provide unreliable and inaccurate reporting of incarceration costs. In addition, they are unable to substantiate requests to increase the federal per diem rates. To address these issues, we recommend:

1. DOC assign a dedicated non-uniform staff to ensure:
 - a. Proper data entry, periodic reconciliation, and maintenance of DOC's NaviLine;
 - b. Development of incarceration cost information, maintain a database by utilizing tools (such as Excel spreadsheets, QuickBooks, etc.), and identify fixed and variable cost; and
 - c. Proper reconciliation of federal reimbursements by maintaining a database of expected deposits received versus actual deposits received on a monthly basis.
2. DOC management to review and monitor cost per prisoner, reimbursements from the Federal Government, and billings to house off-island prisoners and collect all accrued interest on overdue payments, if needed. In addition, DOC should coordinate with DOA regarding the collectability of the \$299K discrepancy.

Management Response and OPA Reply


A draft was transmitted to DOC on June 24, 2014 for their official response. We met with DOC officials in June 26, 2014 to discuss findings and recommendations. The Director concurred with the findings and recommendations and provided their official response on July 2, 2014.

See Appendix 5 for DOC's management response.

The legislation creating the Office of Public Accountability requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress of implementing the recommendations, and to endeavor to complete implementation of the recommendations no later than the beginning of the next fiscal year. We will be contacting DOC to provide the target date and title of the official(s) responsible for implementing the recommendations.

We appreciate the cooperation given to us by the staff and management of DOC and DOA.

OFFICE OF PUBLIC ACCOUNTABILITY



Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendix 1:

Classification of Monetary Amounts

| | Finding Area | Questioned Costs⁸ |
|---|--|-------------------------------------|
| 1 | DOC Cost per Prisoner is Not Accurately Calculated | \$ - |
| 2 | Management Does Not Routinely Calculate and Monitor Cost per Prisoner | \$ - |
| 3 | Federal Reimbursement Rates Have Not Been Updated and Reconciled | |
| | <i>Lack of Federal Reimbursement Reconciliations and No Running Log of Reimbursements Received</i> | \$ 298,945 |
| 4 | Marginal Cost per Prisoner is Important for Policymaking Decisions | \$ - |
| | Totals | \$ 298,945 |

⁸ Questioned Costs are the costs questioned because of:

- a. An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- b. A finding that, at the time of the audit, such cost is not supported by adequate documentation; or
- c. A finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Appendix 2:

Objectives, Scope, and Methodology

The objective of this audit was to determine the accuracy and validity of DOC's cost per prisoner.

The period of review was from October 1, 2010 through September 30, 2013. The audit scope encompassed a review of expense transactions by DOC. In addition, we reviewed laws, rules and regulations, policies, prior audit findings, and other information pertinent to the calculation of DOC cost per inmate during FY 2010 to FY 2013. We interviewed the DOC Director, Administrative Services Officer, and Corrections Officer Supervisor II. The audit was conducted mainly at the Adult Correctional Facility in Mangilao.

To accomplish our objective, we performed the following audit procedures:

- (1) Conducted walk-throughs and interviews with key personnel.
- (2) Confirmed DOC's methodology for calculating the of \$119 cost per prisoner to include the following:
 - a. Whether DOC considered all expenditures;
 - b. How they compiled total expenditures for their calculation; and
 - c. Whether they utilized the correct population.
- (3) Obtained FY 2011, 2012, and 2013 DOC expenditures from DOA and daily population from DOC.
- (4) Compared DOC and DOA expenditures for FY 2011 through 2013.
- (5) Reviewed agreements between DOC and the Federal Government.
- (6) Compared DOC billings to the federal government against reimbursements received in the DOC Inmates Revolving Fund.

Scope Limitation

We did not test the accuracy and validity of the cost information provided by DOA, which was based on data recorded in the DOA AS400 system. We also did not test the accuracy of the DOC population data. Data provided was based on data recorded in the NaviLine system, which we were granted limited access.

We conducted this performance audit in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan our audit objectives and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Except for the scope limitation noted above, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Appendix 3:**Prior Audit Coverage**

We reviewed prior Office of Public Accountability audits and GovGuam financial audits during fiscal years 2011 through 2012, and did not identify any prior audit coverage for DOC relative to cost per prisoner. However, we did identify a prior audit that discussed BOP Prior Year Billings, OPA Report No. 11-03 Government of Guam Liabilities Assessment.

DOC owed the Federal BOP over \$7.5M for Guam criminals housed in stateside prisons. In February 2010, the U.S. Treasury informed GovGuam that the Department of Justice (DOJ) removed the debt from the Treasury Offset Program, but retained the right to reinstate it if DOC defaulted. In January 2010, GovGuam started monthly payments of \$250K toward the following:

Department of Justice Debt Breakdown as of FY 2009

| Element | Amount |
|----------------|---------------------|
| Principal | \$ 7,527,351 |
| Interest | 0 |
| Penalty | 1,237 |
| Fees | 2,108,005 |
| TOTAL: | \$ 9,636,593 |

Between fiscal years 2010 and 2011 (as of January 2011), 13 monthly payments totaling \$3.5M were made from the General Fund to the Treasury. As of February 2011, a balance of \$4M remained. With a balance of \$4M remaining and DOA's consistent monthly payment of \$250K, this liability should be fully paid by May 2012. Aside from the General Fund's payments to the DOJ, DOC was averaging payments of \$53K a month for current DOJ billings. In FY 2010, DOC paid DOJ \$639K to continue housing Guam prisoners. The FY 2011 Budget Act appropriated \$3.3M to DOC to pay prior and current year obligations.

Appendix 4:

FY 2011~2013 DOC Total Billings for Reimbursement

INS BILLINGS

| MONTHS | FY 2011 | FY 2012 | FY 2013 | MONTHLY TOTALS |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| OCTOBER | \$ 39,675 | \$ 35,925 | \$ 27,225 | \$ 102,825 |
| NOVEMBER | \$ 21,975 | \$ 39,150 | \$ 22,875 | \$ 84,000 |
| DECEMBER | \$ 24,000 | \$ 24,000 | \$ 26,265 | \$ 74,265 |
| JANUARY | \$ 23,475 | \$ 29,850 | \$ 18,530 | \$ 71,855 |
| FEBRUARY | \$ 26,100 | \$ 35,025 | \$ 16,575 | \$ 77,700 |
| MARCH | \$ 34,500 | \$ 22,575 | \$ 19,720 | \$ 76,795 |
| APRIL | \$ 32,100 | \$ 22,125 | \$ 21,075 | \$ 75,300 |
| MAY | \$ 55,425 | \$ 25,275 | \$ 12,655 | \$ 93,355 |
| JUNE | \$ 52,275 | \$ 30,300 | \$ 16,350 | \$ 98,925 |
| JULY | \$ 37,800 | \$ 12,075 | \$ 17,100 | \$ 66,975 |
| AUGUST | \$ 43,350 | \$ 30,300 | \$ 19,350 | \$ 93,000 |
| SEPTEMBER | \$ 41,850 | \$ 26,250 | \$ 15,375 | \$ 83,475 |
| FISCAL YEAR TOTALS | \$ 432,525 | \$ 332,850 | \$ 233,095 | \$ 998,470 |

BOP BILLINGS

| MONTHS | FY 2011 | FY 2012 | FY 2013 | MONTHLY TOTALS |
|---------------------------|------------------|------------------|------------------|------------------|
| OCTOBER | | \$ 1,950 | \$ 4,650 | \$ 6,600 |
| NOVEMBER | | \$ - | \$ 3,150 | \$ 3,150 |
| DECEMBER | | \$ - | \$ - | \$ - |
| JANUARY | \$ 3,150 | \$ 2,175 | \$ 1,800 | \$ 7,125 |
| FEBRUARY | \$ 3,225 | \$ - | \$ 3,525 | \$ 6,750 |
| MARCH | \$ 2,550 | \$ 1,350 | \$ 3,450 | \$ 7,350 |
| APRIL | \$ 225 | \$ 2,250 | \$ 1,650 | \$ 4,125 |
| MAY | \$ 1,125 | \$ 4,200 | \$ 2,325 | \$ 7,650 |
| JUNE | \$ 900 | \$ 4,500 | \$ 750 | \$ 6,150 |
| JULY | \$ 1,650 | \$ 4,650 | \$ - | \$ 6,300 |
| AUGUST | \$ 3,000 | \$ 2,850 | \$ 825 | \$ 6,675 |
| SEPTEMBER | \$ 2,250 | \$ 3,075 | \$ 3,900 | \$ 9,225 |
| FISCAL YEAR TOTALS | \$ 18,075 | \$ 27,000 | \$ 26,025 | \$ 71,100 |

USMS BILLINGS

| MONTHS | FY 2011 | FY 2012 | FY 2013 | MONTHLY TOTALS |
|---------------------------|-------------------|-------------------|--------------------|---------------------|
| OCTOBER | \$ 47,850 | \$ 73,875 | \$ 107,325 | \$ 229,050 |
| NOVEMBER | \$ 48,525 | \$ 69,900 | \$ 107,850 | \$ 226,275 |
| DECEMBER | \$ 64,125 | \$ 68,175 | \$ 109,650 | \$ 241,950 |
| JANUARY | \$ 65,700 | \$ 65,025 | \$ 111,825 | \$ 242,550 |
| FEBRUARY | \$ 62,550 | \$ 69,525 | \$ 111,975 | \$ 244,050 |
| MARCH | \$ 82,350 | \$ 69,825 | \$ 131,775 | \$ 283,950 |
| APRIL | \$ 75,075 | \$ 68,925 | \$ 120,900 | \$ 264,900 |
| MAY | \$ 78,750 | \$ 70,050 | \$ 127,350 | \$ 276,150 |
| JUNE | \$ 75,825 | \$ 74,700 | \$ 123,975 | \$ 274,500 |
| JULY | \$ 68,850 | \$ 80,775 | \$ 124,425 | \$ 274,050 |
| AUGUST | \$ 69,750 | \$ 84,525 | \$ 119,250 | \$ 273,525 |
| SEPTEMBER | \$ 70,500 | \$ 89,325 | \$ 100,950 | \$ 260,775 |
| FISCAL YEAR TOTALS | \$ 809,850 | \$ 884,625 | \$1,397,250 | \$ 3,091,725 |

Appendix 5:
DOC Management Response



DEPARTMENT OF CORRECTIONS
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Hagatna, Guam 96932



Eddie Baza Calvo
Director

Jose A. San Agustin
Director

Ray Tenorio
Director

July 1, 2014

Mrs. Doris Flores Brooks, Public Auditor
The Office of Public Accountability
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RECEIVED
OFFICE OF PUBLIC ACCOUNTABILITY
BY: [Signature]
DATE: 07/02/14
TIME: 1:09 AM PM

Reference: OPA Audit Report No. 14-0X

Dear Mrs. Brooks:

After reviewing the above referenced OPA report, I concur with the recommendation noted and will be requesting thru the Department of Administration, as well as the Bureau of Budget and Management Research (BBMR,) to approve the hiring of a Management Analyst II as well as two (02) additional Administrative Assistants.

Our target date of completion is upon approval from both agencies which would be tentatively around four to six months which is standard processing time for hiring.

Submitted for your information.

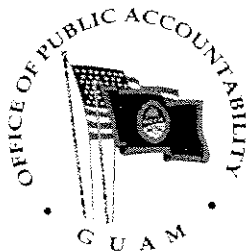
[Signature]
JOSE A. SAN AGUSTIN

[Signature]
RAY TENORIO, Director

Appendix 6:

Status of Audit Recommendations

| | Audit Recommendation | Status | Action Required |
|---|--|---------------|--|
| | To the DOC Management: | | |
| 1 | Assign a dedicated non-uniform staff to ensure: a. Proper data entry, periodic reconciliation, and maintenance of DOC's NaviLine; b. Development of incarceration information and maintain its database by utilizing tools, such as Excel spreadsheets, QuickBooks, etc. and identifying fixed and variable cost; and c. Proper reconciliation process of federal reimbursements by maintaining a database of expected deposits received versus actual deposits and conduct such reconciliation on a monthly basis. | Open | Please provide target date and title of the official(s) responsible for implementing the recommendation. |
| 2 | Review and monitor cost per prisoner, reimbursements from the Federal Government, and billings to house off-island prisoners, and collect all accrued interest on overdue payments, if needed | Open | Please provide target date and title of the official(s) responsible for implementing the recommendation. |



Department of Corrections Cost per Prisoner Calculation
Report No. 14-03, July 2014

ACKNOWLEDGEMENTS

Key contributions to this report were made by:

Travis Carbon, Audit Staff
Clariza Roque, Auditor-in-Charge
Llewelyn Terlaje, CGAP, Audit Supervisor
Doris Flores Brooks, CPA, CGFM, Public Auditor

MISSION STATEMENT

To ensure the public trust and assure good governance,
we conduct audits and administer procurement appeals,
independently, impartially, and with integrity.

VISION

The Government of Guam is the model for good governance in the Pacific.

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Objectivity: To have an independent and impartial mind.

Professionalism: To adhere to ethical and professional standards.

Accountability: To be responsible and transparent in our actions.

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- Call our HOTLINE at 47AUDIT (472-8348)
- Visit our website at www.guamopa.org
- Call our office at 475-0390
- Fax our office at 472-7951
- Or visit us at Suite 401, DNA Building in Hagåtña

All information will be held in strict confidence.