PERFORMANCE AUDIT

DEPARTMENT OF CORRECTIONS

CONTRACTS MANAGEMENT FUNCTION

Report to the Arizona Legislature
By the Auditor General
July 1986
86-4

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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

July 7, 1986

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, Contracts Management Function. This report is in response to the July 26, 1985 resolution of the Joint Legislative Oversight Committee.

The report addresses deficiencies in the Department's contracting process. We found that the Department has failed to comply consistently with the Procurement Code. This has led to some contract irregularities. We also found that the Department performs limited monitoring and evaluation of contracted programs. As a result, the Department cannot adequately oversee contracted programs nor determine program effectiveness. Finally, we found that the Department needs to improve its financial oversight and control of community college contracts.

My staff and I will be pleased to discuss or clarify items in the 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) contracts management function. This audit, one in a series on DOC, was conducted in response to a July 26, 1985, resolution of the Joint Legislative Oversight Committee.

The Department of Corrections Contracts Administration Office develops approximately 300 professional and outside services contracts annually, currently valued at more than $12 million. The Office is responsible for procuring professional services and developing contracts, maintaining contract documentation, and acting as a liaison between Department program areas and contractors. Contracted services include purchase of care programs, hospital and medical services, counseling services, educational programs, etc. The findings in this report reflect problems with current and prior year contracts.

DOC Needs To Strengthen Its Contract Development And Selection Process To Ensure Fair And Open Competition (see pages 5 through 13)

Currently, the Department's contracting process does not ensure fair and open competition. DOC fails to follow the State Procurement Code in selecting contractors. A random sample of 40 contracts indicated that in 81 percent of the requests for proposals (RFP) requiring written evaluations, DOC did not perform an evaluation (45 percent) or could not provide documentation of the evaluation (36 percent). In addition, even when DOC did perform evaluations, it did not always use evaluation factors stated in the RFP. Lack of adequate proposal evaluations and documentation could subject the Department to proposer protests and lawsuits.

Failure to comply with the Procurement Code appears to result partly from inadequate authority and staffing in the Department's Contracts Administration Office. However, in the initial phase of our audit the DOC Director also expressed concern over the possible effects of political considerations on some contracts. Although we did not find

evidence of direct political influence, we found that DOC staff believe such influence exists. DOC staff identified seven contracts (totaling approximately $1.7 million) in which they perceived political influence is a significant factor in contracting with these service providers. This perception has led to some contract irregularities. For example, two providers and DOC staff appear to consider monies for these providers as pass-through funds. In past years both providers were apparently designated as DOC contract recipients before the procurement process even began, because they were listed by name in DOC budget requests. Further, DOC has allowed inappropriate provisions in contracts with those providers. For example, both providers' contracts called for prepayments. The DOC Director intervened after receiving a written Attorney General's opinion in May 1986 and has ended this practice. In addition, one contractor provides services to non-DOC clients using contract funds. DOC staff state that they have little control over contracting certain services due to perceived political influence.

To help ensure fair and open competition in the contracting process, we recommend that the State Purchasing Office review the Department's contracting process and take appropriate action.

The Department Of Corrections
Does Not Adequately Monitor
Contracts (see pages 15 through 20)

The Department does not have a formal contract monitoring system, and consequently, cannot adequately verify the contractor service levels or ensure contractor compliance with contract service reporting requirements. Our review of 42 percent of the purchase of care contract files identified that none of these contractors met all the reporting requirements. Even when reports are submitted, DOC does not always use them to verify that services are being provided. For example, reports of one service provider indicated that only 17 percent of its staff time was spent on services stipulated in the contract, while 79 percent of its time was charged to "other hours." However, DOC staff never followed up on this report to see whether the contracted services were actually being provided.

In addition, DOC contracts do not provide an adequate basis for effective monitoring of costs and services. One service provider with two contracts totaling $800,000 does not submit any of the requested budgets or expenditure reports to the Department, nor are cost categories or service costs specified in the contract. Therefore, DOC is unable to determine whether the cost of services are reasonable.

The Department Of Corrections Needs To Evaluate The Effectiveness Of Its Contracted Programs (see pages 21 through 36)

DOC does not know which of its contracted programs are effective. Although the Department is required by the 1985-86 appropriations bill to evaluate service providers' performance, DOC's current efforts to evaluate program effectiveness are limited.

Our staff conducted evaluations of two major DOC contracted juvenile programs. The evaluation of the OK Community counseling services for Adobe Mountain Juvenile Institution (AMJI) residents showed that the program had no effect on residents' institutional behavior or behavior in the first six months on parole. Poor service delivery and excessive staff turnover may have contributed to the ineffectiveness of the OK Community programs at AMJI. DOC needs to address these two factors, and should also evaluate other OK Community counseling programs.

The second evaluation showed that the Arizona Boys Ranch (ABR) Conservation Program has had a significant positive effect on program graduates. More than 65 percent of the ABR graduates successfully completed their first six months on parole, compared with only 40 percent of the comparison group of nonprogram parolees. Still, further research is needed to determine whether follow-up care would enhance the effectiveness of the ABR Conservation Program.

To meet its legislative mandate to evaluate programs, DOC should create two to three full-time equivalent (FTE) positions to evaluate the effectiveness of its contracted programs.

The Department Of Corrections Needs To Improve Fiscal Oversight And Control Over Its Community College Contracts (see pages 37 through 44)

The Department needs to strengthen financial oversight and control over its community college contracts. DOC contracts with community college districts to provide inmate education services at its various prison sites. DOC's fiscal year 1985-86 contracts total $1,196,544. Currently, DOC does not audit direct program expenditures. Nor does DOC verify full-time student equivalent (FTSE) counts and the resulting State revenue generated by its college programs. Because FTSE counts directly affect revenue for the DOC programs, DOC needs to ensure that its programs are fully credited for their enrollment. To improve financial oversight, DOC should audit district records to verify FTSE revenue and direct expenditures.

In addition to weak fiscal oversight of it's community college contracts, DOC may be paying too much for inmate college education. Currently, most districts credit DOC programs using the lowest possible FTSE rates. Using more favorable FTSE rates could reduce DOC's contract costs by $61,000 to $104,000. In addition, in two contracts, overhead costs appear high - approximately one-third of total program costs.

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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) contracts management function. This audit was conducted in response to a Joint Legislative Oversight Committee resolution of July 26, 1985, and is one in a series of audits of the Department.

The Department has the authority to contract for services, however, in doing so it must comply with the Arizona Procurement Code (Arizona Revised Statutes §41-2501). The Department grants approximately 300 professional and outside services contracts annually. These services include:

- Hospital and medical services - physicians, dentists, radiologists, prosthesis, medical facilities, etc.
- Purchase of care programs - foster homes, group homes, residential treatment, day care programs.
- Educational programs - community college programs, vocational education programs.
- Counseling services - psychiatrists, substance abuse counseling, rehabilitative services, etc.
- Consulting services.

Organization And Process

To administer the contract process, DOC has a Contracts Administration Office within the Administrative Services Division. This Office has been overseeing the contract process for approximately three years. Prior to that, contracts were administered through DOC's Purchasing Office.

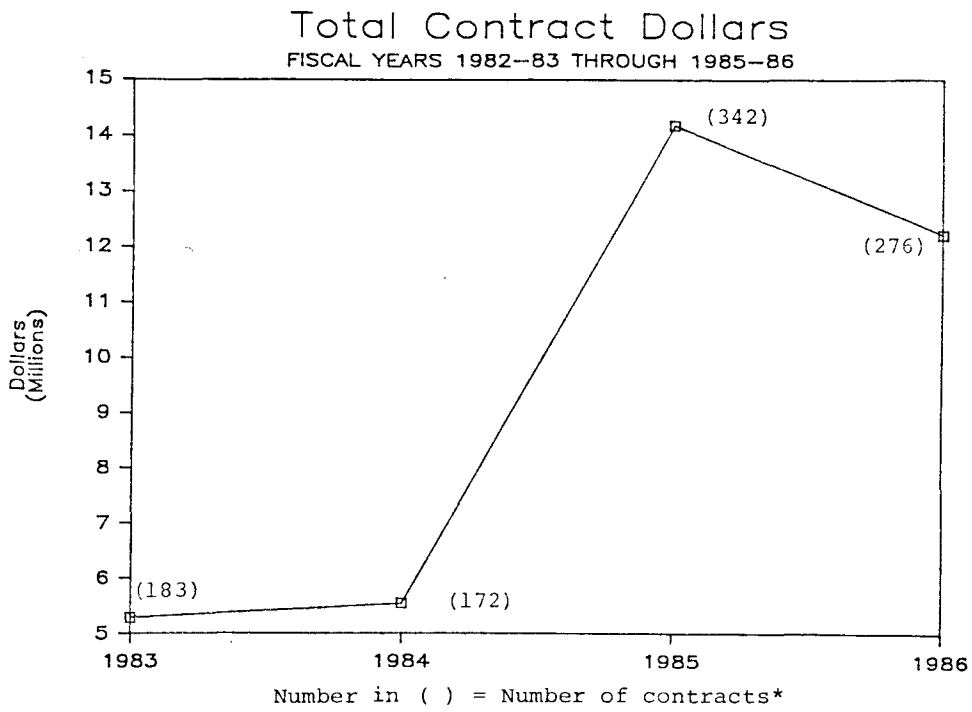
Although contracting is administered by Contracts Administration, the process is fairly decentralized. Contracts Administration is responsible for processing contracts, acting as a liaison between the contractors and the program areas, and maintaining contract documentation. Staff in program areas are responsible for initiating contracts, evaluating

proposals, selecting service providers, and monitoring the contracts once they are in place. Contracts are also reviewed by the Attorney General's Office.

Extent of Contracting

The following figures summarize DOC's use of professional and outside services contracts over the past four fiscal years. As shown in Figure 1, the amount of funds allocated for professional and outside services has increased by 131 percent. The allocation for contracted services for fiscal year 1985-86 is $12.2 million.

FIGURE 1

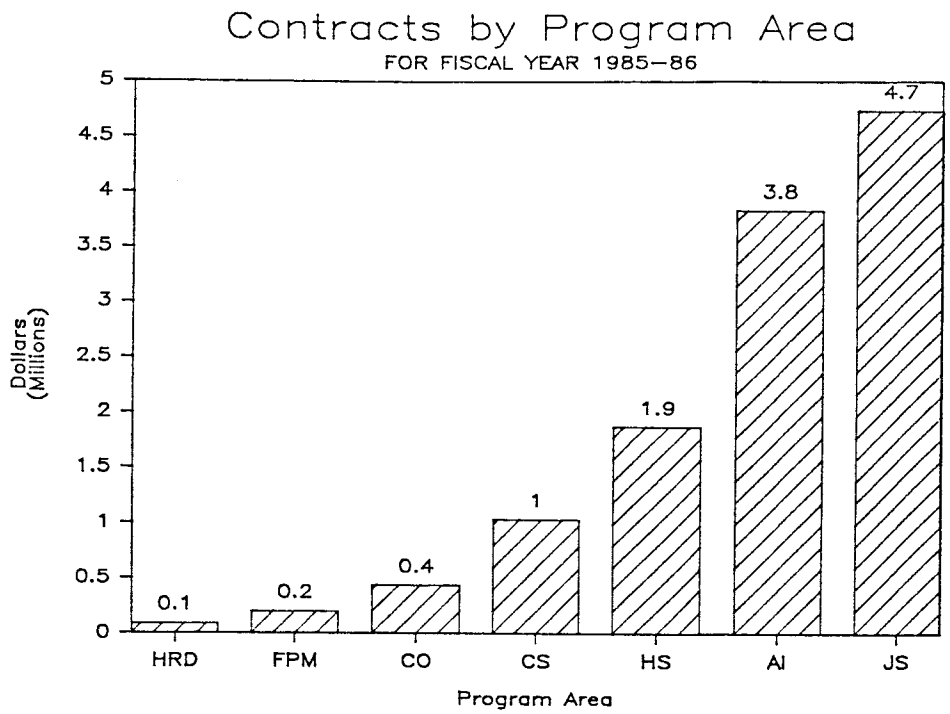


* The 1983 and 1984 contract counts are estimates. Dollar amounts, however, are actual amounts.

Source: Compiled by Auditor General staff from DOC files

Figure 2 summarizes contracts by program area for fiscal year 1985-86. As illustrated in Figure 2, Juvenile Services and Adult Institutions have the majority of professional and outside service contract dollars.

FIGURE 2



AI = Adult Institutions
CO = Central Office
CS = Community Services
FPM = Facilities, Planning and Maintenance
HRD = Human Resources and Development
HS = Health Services
JS = Juvenile Services

Source: Compiled by Auditor General staff from DOC files

The Juvenile and Health Services program areas have the greatest number of contracts. In addition, Juvenile Services has some of the highest dollar contracts for purchase of care programs. Since fiscal year 1982-83, Juvenile Services and Health Services contracts have increased in dollar amount by 138 percent and 103 percent, respectively. Total contracts have increased in dollar amount by 131 percent.

AUDIT SCOPE AND PURPOSE

Our audit of DOC's contract management function concentrated on the contracting process for professional and outside services. The audit focused on contract selection, monitoring and evaluation. Our detailed audit work dealt mainly with Adult Institutions, Community Services and Juvenile Services contracts, and focused primarily on the 1985-86 contract year. However, problems identified in this report have occurred in past contract years.

In addition to documentation collected at DOC, we conducted on-site visits at several contractor locations to review their records. The audit report presents findings and recommendations in four areas.

- The adequacy of DOC's contract selection process.
- The adequacy of DOC's contract monitoring function.
- The adequacy of DOC's efforts to evaluate its contract programs. (As a part of this finding, Auditor General staff conducted an evaluation of the effectiveness of two of DOC's contracted programs.)
- The adequacy of DOC's oversight and negotiation of community college contracts.

Due to time constraints, we were unable to address all potential issues identified during our preliminary audit work. The section Areas for Further Audit Work describes these potential issues (see page 47).

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.

FINDING I

THE DEPARTMENT OF CORRECTIONS NEEDS TO STRENGTHEN ITS CONTRACT DEVELOPMENT AND SELECTION PROCESS TO ENSURE FAIR AND OPEN COMPETITION

The Department of Corrections' (DOC) current contracting process does not ensure fair and open competition. Noncompliance with the Procurement Code has undermined the integrity of the Department's contract selection process. The Department's Contracts Administration Office needs to be strengthened to enforce procurement code compliance.

Failure To Comply With The Code Has Weakened The Selection Process

The Department has failed to comply with the State Procurement Code in its proposal selection process. Procedures required by the Code have not been consistently followed. Lack of a systematic selection method contributes to noncompliance. The DOC Director has also expressed concern about the possible effects of political considerations on contract selection.

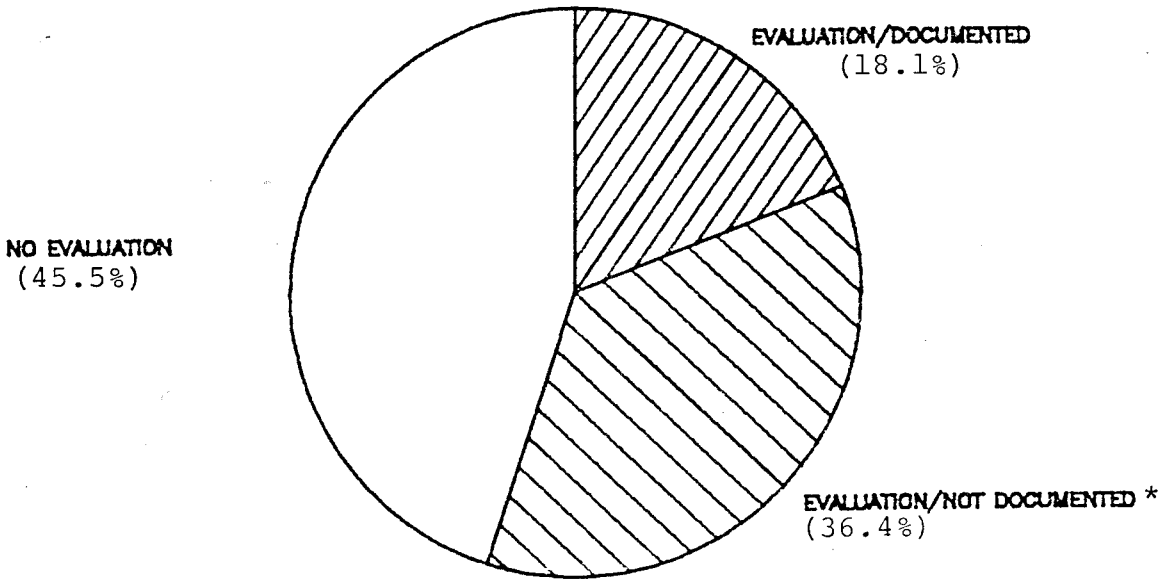
Selection methods do not consistently follow the Code - The Department has failed to follow the State Procurement Code in its contractor selection methods. A.R.S. §41-2534.G. requires that contracts be awarded:

> . . . to the responsible offeror whose proposal is determined in writing to be the most advantageous to this state taking into consideration the evaluation factors set forth in the request for proposals. No other factors or criteria may be used in the evaluation.

A random sample of 40 contracts and corresponding requests for proposals (RFP) shows that in 81 percent of the cases requiring evaluations, DOC did not perform written evaluations (45 percent) or cannot document that evaluations were done (36 percent). In many cases, staff in the program areas did not perform written evaluations because they received only one proposal. However, even in these instances, written evaluations should be performed to document that the provider meets stated requirements and Departmental needs. Figure 3 presents the results of our random sample.

FIGURE 3

EVALUATION CODE COMPLIANCE SAMPLE RESULTS
CONTRACTS EXECUTED FOR FISCAL YEAR 1985-86



Source: Compiled by Auditor General staff based on a random sample of DOC contracts executed for fiscal year 1985-86

The Department does not always use the stated evaluation factors in justifying its selection decisions. For example, one program area developed a method for rating proposals. However, the evaluation factors stated in the RFP were not considered when this method was developed. Consequently, not all stated factors were used in evaluating proposals.

Without performing adequate evaluations and maintaining documents, the Department is subject to proposer protest and lawsuits. Authoritative literature states that evaluations should have both the appearance and reality of being objective and fair. The contract file should contain sufficient information to show the method of evaluation and basis of award, to reduce the likelihood of legal action.

* DOC personnel claim that in addition to the evaluations that were documented in their files (18 percent), another 36 percent were performed but the documentation had been inadvertently destroyed.

Formal selection method could reduce noncompliance - To reduce noncompliance, the Department needs to establish and follow a systematic method of awarding contracts consistent with the Procurement Code. Although one program area has drafted internal management procedures, DOC has few policies and procedures governing the contract process. As stated earlier, our random sample review indicated that DOC does not consistently evaluate RFPs. Moreover, program area staff generally do not use a formal and systematic method of evaluating RFPs,* thereby providing no basis for justification statements. For example, program area staff may use their own methods of evaluation, develop their own forms for selecting a service provider or use one of Contract Administration's forms. Currently, staff in only one program area consistently use an evaluation method based on stated evaluation factors.

Several other states use systematic methods to rate proposals. For example, Florida uses an RFP rating sheet that "must identify the most important components of the RFP and contain measurable criteria by which proposals can be rated and compared." Most other states' rating forms list the rating criteria and attach a possible score to each component. With this method, evaluators are able to document and justify their selection.

Political considerations - During the early phases of our audit the Department Director requested that we examine possible problems with service provider contracts. Because some legislators are closely affiliated with the Boards of some providers, he expressed concern about the possible effects of political considerations on these contracts. Although we did not find evidence of direct political influence, we found staff perceived such influence exists and acted accordingly.

In the case of two service providers, DOC staff attribute failure to adhere to the Procurement Code to political considerations. These providers who hold seven contracts totalling approximately $1.7 million

* Contracts Administration has developed a contract process guide that includes three different evaluation forms to use in selecting fiscal year 1986-87 contracts. Program area staff have the option of picking which form they use or developing their own form.

have, in the past, lobbied for funds directly at the Legislature. Staff believe these providers are politically influential and that the Legislature intends that they should receive these monies. Staff told us they fear political consequences should they fail to award these providers their contracts. However, these fears appear to be based on past rather than current incidents. For example, staff in the Department indicate that under at least one prior administration pressure was exerted through the Director's Office to award a contract to one of the two providers. In this case staff were dissatisfied with the proposed activities and provisions of the contract but were told the contract had to be signed because the job of the (former) director was in jeopardy if the contract was not signed. However, the current Department Director has told us he has never been pressured to award contracts to any agency. He intends that all department contracts be awarded in compliance with law. Despite this, DOC staff appear to continue to hold the belief that these providers must be treated differently.

The perception of political influence among staff, whether currently founded or not, has undermined the department's contract selection process as it relates to these two providers. The following discussions involving instances from the current contracts show how this perception has resulted in code violations and questionable decisions in awarding and writing contracts.

Contractor A

Contractor A has three contracts with the Department for slightly less than $1 million. DOC has contracted with Contractor A since 1975. The number of programs contracted for have expanded from one counseling program in one facility to the current ten programs in six facilities, a residential treatment program and two outreach community based programs.

- Although the Department puts these programs out for competitive bid, the contractor and DOC staff appear to consider monies funding Contractor A's programs as pass-through monies. Contractor A stated that he lobbies the Legislature directly to obtain funds for his programs. In his opinion, the Legislature puts these monies in DOC's budget. However, the appropriations

report does not specify either as a line item or by footnote that DOC must spend the monies to fund Contractor A's programs. According to a Joint Legislative Budget Committee analyst, stipulating that monies go to Contractor A via the appropriations bill would violate procurement statutes. If the cost of a service exceeds the Code's maximum dollar limits, it must be put out for bid. However, DOC staff reported two instances in which Contractor A has contacted DOC concerning "their" funds which were in the DOC budget. This was prior to DOC selecting any fund recipients.

DOC budget documents indicate that even before the contracting process begins Contractor A is designated as a contract recipient. One program is listed in DOC's budget request as a line item, stated by name with a dollar amount attached. This contrasts with most services contracted for by the Department in which the budget request states the general category, such as psychological counseling or residential placements, with a dollar amount requested. Through open competition DOC then selects service providers to whom these monies are allocated.

- According to contracting experts, at least two of Contractor A's proposals should not have been considered until all RFP requirements were met. For the 1985-86 contracts, RFPs requested that the provider submit program budget information and fees for services. For two of the contracts, Contractor A did not submit any budget information and it requested a lump sum allocation for each program. There was no documentation relating fees to service that would support a lump sum request. Without this information, DOC should not have considered these proposals because it could not determine whether the cost of the program was reasonable.

- In the past, DOC had agreed to inappropriate prepayment provisions with Contractor A. Rather than billing DOC for services rendered as is the case with most contracts, the provider receives quarterly up-front payments. After receiving a written Attorney General's Opinion in May 1986, the DOC Director intervened and ended these up-front payments as of July 1, 1986.

Comment

- Personnel throughout the Department stated that many decisions are made as a result of perceived political considerations. Because of Contractor A's perceived political influence, staff feel that they have little control or ability to refuse Contractor A's requests. Problems resulting from these perceptions extend into the monitoring of these contracts (see page 15).

Contractor B

Contractor B consists of four organizations providing similar services. According to one of the organization's Directors, in 1979 two of the units formed a Statewide network. They received Federal funding to establish two additional units. When the Federal monies were no longer available, the State picked up the costs of the programs. Currently, DOC contracts for these services at a cost of approximately $740,000.

- Similar to Contractor A, Contractor B is cited as a line item in DOC's budget request and DOC staff appear to consider monies funding these programs as pass-through monies. However, the appropriations report does not designate monies for these services or for Contractor B.

- Considering the funds as pass-through has resulted in inappropriate contract provisions. The contracts allow for Contractor B to provide services to non-DOC clients using contract funds. According to one DOC staff person, Contractor B maintains that originally the legislative intent was to fund Contractor B to provide services for anyone meeting the criteria and not just DOC clients. Therefore, Contractor B was able to get its contracts written with the provision that non-DOC clients could be serviced with DOC contract funds. However, the Attorney General's Office recently advised the Department that it "may not contract or provide or fund services for persons who have not been committed to the Department." Staff also stated that they have tried to verify legislative intent but have not found anything to confirm Contractor B's contention.

- In addition, Contractor B is considered an automatic contract recipient, which prohibits fair and open competition. For 1985-86 contracts, DOC received five proposals for these services. Four proposers were the organizations constituting Contractor B, and one was an outside party. Contractor B's total proposed program costs exceeded the budget request allocation. None of the proposals were evaluated, although the four traditional proposers were awarded contracts and the fifth proposal was rejected. DOC staff said that the proposals were not evaluated and the fifth proposal was rejected because they knew there would be insufficient funds after the other four were funded.

- Further, one DOC staff member told us that one year the RFP was written with Contractor B's name on it, until Contracts Administration said this was in violation of the procurement code.

- Finally, Contractor B also received quarterly up-front payments until January 1986.

Comment

- Again, because of Contractor B's perceived political influence, staff feel that they have little control or ability to refuse the Contractor's requests. In addition, staff feel that political considerations override Departmental concerns.

Contracts Administration Office Lacks Authority To Ensure Compliance

The Contracts Administration Office is weak and ineffective in enforcing compliance with the Procurement Code. The Office lacks authority to properly develop and oversee contracts. The State Purchasing Office may need to assist the Department in addressing problems with its contracting process.

Contracts Administration lacks authority - Although Contracts Administration is responsible for ensuring that contracts comply with statutes and regulations, its authority is limited in contract decisions. Program area staff prepare most of the RFP, review and evaluate proposals, select the contractor, and prepare the contract justification form. Program areas perform these important aspects of the procurement process with little or no participation from the Contracts Administration Office.

Presently, Contracts Administration has limited authority to ensure that program areas follow uniform procedures and comply with the State Procurement Code. For example, although Contracts Administration staff request program area staff to submit written evaluations and adequate justification statements, it cannot reject a selection decision if this information is not submitted or is insufficient. Top-level management has not given the Contracts Administration Office clear authority to override improper program decisions. The Office has recognized the deficiencies in proposal evaluations and justification statements described earlier (see page 5). It recently prepared a contract process guide and revised the evaluation forms. It also trained DOC personnel involved in the evaluation process. However, it contends that program area staff still have the option to develop and use their own methods and forms.

Contracting standards require that Contracts Administration be involved in contract development and selection as a check on program areas. According to the State Purchasing Director and professional procurement literature, Contracts Administration staff should directly participate in most of the procurement process. The State Purchasing Director recommends contracting staff involvement for several reasons. First, Contracts Administration staff have the expertise in contracting and familiarity with procurement law that program area staff may not have. Contracts Administration's involvement can ensure that DOC complies with the State Procurement Code. Second, direct participation by contracting personnel could reduce the potential for bias. Bias may occur, or it may appear that the process is biased, if those evaluating the proposals (program area personnel) consist largely of those with prior or continuing involvement with current providers.

Designating contract managers is one method used by two other states to combine contracts administration and program area expertise and involvement. A program area person is assigned to oversee one or more contracts from the RFP phase through the duration of the contract. Contracts Administration personnel are also involved in the contracting process to ensure that appropriate procedures are followed. Contracts Administration personnel also provide information regarding current contract policy and preparation.

In addition to not having sufficient authority, Contracts Administration may not have enough staff to adequately participate in and oversee the contracting process. The Contracts Administration Office has only two contract administrators to oversee 276 contracts valued at $12.2 million. As shown in Figure 1 (see page 2), the number of contracts and the dollar amount expended on contracted services has increased 131 percent in the past four years. However, according to DOC staff, there has been no corresponding increase in the Office's administrative personnel to oversee these contracts. With its current staff size, the Office cannot actively participate in selecting all contracts.

State Procurement Office involvement may be needed - The State Procurement Office (SPO) of the Department of Administration (DOA) may need to assist DOC in addressing problems with Procurement Code compliance. SPO suggests two options.* First, SPO could provide staff in a consulting capacity.

It would assist DOC in establishing a systematic contracting process and developing the Contracts Administration capability. Second, but less preferable to SPO would be to have an oversight capacity in DOC's contracting process. In this case, SPO would review DOC's contracting actions to determine whether DOC has taken appropriate action and has followed the Procurement Code.

If the Department is unable to ensure fair and open competition, SPO indicated that DOA could rescind the Department's authority to procure services. However, DOA would have to determine the severity of the Department's noncompliance before taking such action.

CONCLUSION

The Department of Corrections has not consistently followed procedures required by the State Procurement Code in selecting and awarding contracts. The Department needs to develop a systematic method of selecting contractors. In addition, the Contracts Administration Office should be strengthened to ensure that DOC complies with the Procurement Code.

RECOMMENDATIONS

1. The Department should establish and follow a systematic method of selecting and awarding contracts. Policies and procedures should be developed as guidelines for those involved in the contracting process. The Director should communicate a clear policy that political considerations should not influence contract decisions.

* According to the SPO Director, either option would have to be on a limited or reimbursement method.

2. The Department should give Contracts Administration adequate authority to enforce compliance with the Procurement Code.

3. The Contracts Administration Office should actively participate in the selection process. This may necessitate an increase in staff.

4. The State Purchasing Office should review the Department's contract process and determine whether further involvement is necessary.

FINDING II

THE DEPARTMENT OF CORRECTIONS DOES NOT ADEQUATELY MONITOR CONTRACTS

The Department of Corrections (DOC) should implement a formal contract monitoring system. DOC's existing system does not adequately verify whether contracted services are being rendered or whether costs are appropriate. In addition, central oversight of the monitoring function is lacking. To ensure a coordinated monitoring effort, DOC must plan and implement proper monitoring procedures.

Contract monitoring is important to ensure service provider accountability and compliance with stated terms and conditions of the contract. Monitoring is the periodic review and documentation of the contractor's progress in fulfilling the stated terms and conditions of the contract. It includes identification of areas where corrective action is required and follow-up to ensure that corrective action is successfully taken. Although government agencies can delegate a governmental function through a contract, they are still responsible for that function. Effective monitoring verifies that the function is performed.

Due To Poor Monitoring, DOC Cannot Identify Contract Problems

DOC's monitoring system does not ensure that contractors are providing satisfactory services and at a reasonable cost. The Department has been lax in enforcing reporting requirements and reviewing reports submitted. Moreover, many contracts do not provide an adequate basis for effective monitoring of costs.

Contractor's reports are not adequately reviewed - DOC does not ensure that contractors comply with service reporting requirements. Thus, service levels cannot be adequately verified. Auditor General staff reviewed 16 of 38 (42 percent) purchase of care contract files and noted that none of the contractors met all the reporting requirements. Most contracts stipulate specifically what type of information is required of the contractor, how frequently it is to be submitted, and to whom the

information should be sent. However, the contractors often do not comply with all reporting requirements. The following examples illustrate contractors' lack of compliance.

- Eleven of 16 purchase of care contract files reviewed contained requirements for reports detailing specific dates on which youth received treatment services and what those services entailed. None of the purchase of care contract files reviewed contained these reports. This requirement is specifically stated in these purchase of care contracts. Without this information, DOC cannot verify that all youth received treatment services.

- DOC contracts with a service provider for counseling in its adult and juvenile institutions. The contract requires the provider to submit by client name what services were offered and how frequently. However, the monthly reports submitted by the contractor do not meet this requirement. Thus, DOC cannot verify whether the counseling was provided.

In the case of at least one service provider, DOC personnel are aware of noncompliance with reporting requirements. However, they are hesitant to take corrective action due to what they consider the political nature of the contract (see page 8). For example, one staff person identified that one contractor's reports did not supply information required by the contract. However, the individual was unwilling to contact the provider because she feared the perceived political influence of the contractor.

Even when reports are submitted, reviews are not adequate. Review of selected contracts and reports indicates that DOC does not always use these reports to verify that services are being provided. The following example illustrates weak review of reports submitted.

- Reports of one nonprofit contractor indicate that it allotted only 17 percent of its time for individual and group counseling in DOC programs. These are the services DOC specifically contracts for with this provider. However, an Auditor General review of the contractor's reports for one quarter of the fiscal year indicated that the contractor charged DOC for 79 percent of its time in "other hours." A cursory review could quickly identify these problems in service delivery.

Proper verification of services requires both detailed review of reports submitted and on-site monitoring visits. Although one program area is currently developing an on-site monitoring program to be implemented

during fiscal year 1986-87, DOC's on-site monitoring has been limited. According to DOC staff, other duties have a higher priority than on-site monitoring. Through on-site monitoring, DOC could reconcile services reported to the Department with on-site records. If the documentation does not substantiate the reports, the Department could withhold future payment or the provider could be required to reimburse DOC.

Contracts lack basis for monitoring - DOC contracts do not provide a basis for effective monitoring of costs and services. A review of selected contracts indicates that DOC may need to review proposals more thoroughly to establish accurate service costs and incorporate more specific provisions in its contracts. The following examples illustrate DOC's need to analyze proposed costs for services.

- One nonprofit service provider has two contracts with DOC totaling $800,000. Although requested in the RFP, the service provider did not submit a budget justifying its proposed costs for its services. The contract with the agency also does not specify any cost categories or service units. As a result there is no basis for determining whether costs are reasonable. The contractor's budget was submitted to DOC only after Auditor General staff requested to review it. The budget indicates that approximately 39 percent and 42 percent of the costs for the two contracts are overhead expenses. According to DOC staff, a substantial amount of the contractor's overhead expenses such as space, equipment and supplies are provided by the Department. Therefore, the contractor's overhead expenses for those contracts appear to be excessive.

- An independent study performed for DOC indicated that costs should be reviewed for some contracts before contracts are signed. The purchase of care contracts have comparable rates for similar services. However, in three of these programs, two-thirds of the meals and a substantial portion of the daily supervision are not provided by the contractor. Consequently, it appears that in those cases costs should be less. The study recommended that these program costs be reviewed.

Contract language may also be too vague in some cases to provide an adequate basis for monitoring. According to independent consultants for DOC, the Department's contracts lack specific language defining the services it desires. For example, a contract calls for education instruction but does not state the level or extent of instruction. One contractor may provide a tutor for one hour each week whereas another may

provide daily formal instruction. However, both contractors would meet the provisions of the contract. As a result of these discrepancies the independent consultants recommended:

> . . . that the Department establish a consistent set of terms and definitions . . . to be used in future contracts. Definitions should include measurable criteria for each service. An example might be that GED preparation would mean regularly scheduled classes taught by a certified teacher while GED tutoring could be less structured and provided by a para-professional.

To address this concern, the juvenile services program area has drafted a list of service specifications to better define services desired.

The contract document should be the source of criteria by which contractor performance is monitored. According to a contracting authority, the monitoring function should be built directly into the contract. Contracts should contain work statements to guide the monitoring function. A work statement defines the service and units of service; it specifies standards, licensure requirements, service goals, objectives and tasks. Generally, a work statement included in the contract becomes the basis for monitoring.

Current Monitoring Effort Is Fragmented And Procedures Are Inadequate

The Department's monitoring system lacks coordination and adequate procedures. The contract monitoring function has no central oversight or coordination. Furthermore, in comparison to other agencies, DOC does not adequately plan for or utilize proper monitoring procedures.

DOC's monitoring function is fragmented. Each program area is responsible for monitoring its contracts and devising its own monitoring procedures. Seven program areas within the Department regularly utilize professional and outside service contracts. Each program area has several individuals responsible for monitoring. Based on discussions with DOC officials, approximately 61 DOC staff people are involved in the monitoring process. However, no one individual has overall responsibility for monitoring contracts in each of the program areas.

Frequently, program monitoring is inconsistent. This inconsistency in procedures illustrates DOC's lack of strong central coordination or oversight over the monitoring function. To strengthen central coordination and oversight, adequate procedures need to be established. Procedures utilized by other agencies could serve as a model. For example, the Federal Bureau of Prisons and the Arizona Department of Economic Security assign specific individuals as contract managers with responsibility to oversee contracts (see page 12). In the Florida Department of Health and Rehabilitative Services,* each contract manager is assigned responsibility for one complex contract, or a group of less complex contracts. This ensures that contracts are monitored throughout the term of the contract.

Monitoring procedures should be developed at the beginning of the contract period. Florida's Department of Health and Rehabilitative Service's monitoring procedures recommend that the contract manager begin planning monitoring activities upon assignment of a contract. The contract manager should finalize the monitoring work plan within one month of contract execution. Generally, a monitoring work plan includes two basic activities: thorough review of written reports and periodic on-site visits, including a schedule for monitoring activities.

CONCLUSION

DOC needs to implement a formalized contract monitoring system. Its current monitoring system is not sufficient to ensure that services are provided. In some cases, DOC contracts do not provide a basis for effective monitoring of costs and services. Furthermore, DOC's monitoring function lacks central oversight. To ensure a coordinated monitoring effort, DOC must plan and implement proper monitoring procedures.

* This system is recognized as a model by the National Institute of Corrections.

RECOMMENDATIONS

1. DOC should formalize contract monitoring procedures to ensure adequate and consistent monitoring efforts throughout the Department. Procedures should be implemented at the beginning of each contract period.

2. DOC should specifically assign a staff person in each program area to be responsible for contract monitoring in conjunction with the Contracts Administration Office. Persons assigned should periodically conduct monitoring activities to ensure that contractors are providing the services as stipulated in the contract. Activities should include desk review, on-site visits and audits.

3. DOC contracts should include adequate cost provisions, work statements defining services and the units of services required so the Department can effectively monitor contracts.

FINDING III

THE DEPARTMENT OF CORRECTIONS NEEDS TO EVALUATE THE EFFECTIVENESS OF ITS CONTRACTED PROGRAMS

The Department of Corrections (DOC) does not know which of its contracted programs are effective and which are ineffective. Current DOC efforts to evaluate program effectiveness are limited. An Auditor General staff evaluation of OK Community's counseling program at Adobe Mountain Juvenile Institution (AMJI) indicates that this program does not have any statistically significant effect on program participants' institutional behavior or subsequent parole performance. However, an evaluation conducted by Auditor General staff indicates that the Arizona Boys Ranch (ABR) Conservation Program is having a statistically significant positive effect on the parole performance of program graduates. DOC needs to regularly conduct similar program evaluations.

Program evaluation is a critical management tool to assess whether a specific program achieves desired results. With this information an agency can make informed policy decisions regarding:

- continuation or expansion of a program;
- deletion, addition or modification of certain program components;
- acceptance or rejection of a program's approach; and
- allocation of scarce resources among competing programs.

Auditor General staff conducted evaluations of two major programs contracted by DOC to demonstrate the value of such information in making policy decisions. For a detailed discussion of these program evaluations see Appendix 1.*

DOC's Current Evaluation Efforts Are Limited

DOC does not systematically evaluate the effectiveness of its contracted programs. The Department recognizes the need for more systematic and comprehensive evaluations, but recent efforts have been insufficient.

* The technical report contained in Appendix 1 was reviewed by two independent professional evaluators who concurred with its findings.

DOC has not attempted to systematically evaluate the effectiveness of its contracted programs. In the past, the Department has assigned parole officers familiar with specific contracted programs to semiannually evaluate these programs to determine the quality of services being provided. A DOC administrator stated that these evaluations are not very sophisticated and are more of a "popularity contest" than a comprehensive assessment of the quality of services being provided.

The Department recognizes the need for more systematic and comprehensive evaluations of its contracted programs. A DOC superintendent acknowledged that he could not demonstrate that any program (contracted or in-house) at his facility was more effective than any other program and that this reflected a deficiency in the Department's program evaluation capabilities. In hopes of addressing this deficiency, DOC recently contracted with outside consultants to evaluate 32 contracted programs to determine whether DOC is being provided the services contracted for and to assess what impact these services are having on program participants. However, because of time constraints and fiscal limitations, the scope of the study was limited "to determining if the services are being offered at a minimally acceptable level." No assessment of the effectiveness of these programs was undertaken.

Department staff had unrealistic expectations of the effort needed to evaluate these service providers. DOC originally planned to conduct the 32 evaluations within two to two and one-half months and for a total cost of $50,000. However, rigorous evaluations of program effectiveness take more time and effort than cursory evaluations conducted by field staff. Auditor General staff used approximately 1,000 employee hours (1.25 FTE positions for 5 months) to complete their evaluations of two contracted programs. Both of these programs were included in DOC's recent evaluation efforts discussed above.

OK Community's Counseling
Program At AMJI Is Ineffective

Counseling provided by OK Community staff for AMJI's Cottage Alpha residents has had no statistically significant impact on Cottage residents'

institutional behavior or subsequent parole performance. Poor service delivery and excessive staff turnover may have contributed to this program's ineffectiveness. Further research is needed to evaluate whether other OK Community programs are effective.

Program description - As part of its juvenile services contract, OK Community offers counseling services to residents of AMJI's Cottage Alpha. This contract also requires OK Community to provide similar counseling services to selected juveniles at Catalina Mountain Juvenile Institution and the New Dawn Center for Girls, as well as referred juveniles on conditional release status (parole) in Phoenix and Tucson. The total amount of this contract for fiscal year 1985-86 is $350,000.*

The OK Community counseling program at AMJI's Cottage Alpha has been operational since 1979. This counseling supplements DOC's own educational, work and recreational program provided to youth at the facility. At the time of program inception, Cottage Alpha was reserved primarily for violent, hard-core male delinquents - a population for which this service provider claims specialized expertise. The majority of OK Community counselors are ex-offenders. However, because of facility expansion and institutional overcrowding, Cottage Alpha is no longer reserved primarily for this population of juvenile offenders.

The contract stipulates that OK Community assign three full-time staff members to provide counseling services in Cottage Alpha. These counselors are to work with all youth placed in the Cottage, not just those with violent, hard-core delinquent histories. The Cottage Alpha supervisor estimates that the average daily population in the cottage is from 36 to 38 residents.

* OK Community also contracts with the Department to provide counseling services at three adult institutions and to staff an adult community based counseling program at a cost of $450,000 for fiscal year 1985-86. Finally, the service provider operates a ten-bed residential treatment facility for male youth offenders between the ages of 9 and 18. For fiscal year 1985-86, DOC has block purchased all ten beds in this facility at a cost of $190,500.

After consultation with AMJI and OK Community staff and administrators, Auditor General staff proposed to examine the effect of OK Community's counseling program at AMJI on participants' institutional behavior and subsequent parole performance. Two populations of Cottage Alpha (program) youth were compared with two randomly selected groups of AMJI (nonprogram) youth who had similar demographic and delinquent history backgrounds but were assigned to treatment cottages other than Alpha. The first set of comparison groups of program and nonprogram youth was comprised exclusively of juveniles committed to DOC because of a juvenile court petition alleging a serious crime against person.* The second set of comparison groups consisted of youth representative of the general population (including serious offenders) in Cottage Alpha and AMJI.**

Parole suspension and revocation data were used to measure a youth's parole performance. Educational progress while at AMJI and the number of incident reports for assaultive behavior or possession/consumption of illegal substances were used to contrast Cottage Alpha residents' institutional progress and behavior with those of youth in the comparison group.

Counseling has no effect - Participation in the OK Community counseling program at Adobe Mountain Juvenile Institution did not have a statistically significant effect on participants' performance during the first six months on parole (see Table 1, page 27). Analysis of the data indicates that program and nonprogram youth cannot be considered different in terms of their parole performance. Any differences in the parole performance of program and nonprogram youth were not statistically significant at the .05 level.***

* Petition offenses in this category include homicide, sexual assault, aggravated assault, robbery, kidnapping, felony endangerment and sexual abuse.

** Time frames for inclusion in the first set of comparison groups was January 1, 1983 through January 31, 1985. For the second set of comparison groups, time frames of July 1, 1983 through December 31, 1984, were used.

*** A probability of .05 or smaller is generally accepted in the social sciences as the standard of statistical significance. This .05 standard is used in all subsequent tests of statistical significance discussed in this report.

If any discernible trend is evident, nonprogram youth, in general, performed better on parole than program participants (especially those with serious delinquency histories). The success rate at the end of six months on parole of general population nonprogram youth was 10.6 percent higher than for general population program participants (53.1 percent to 42.5 percent, respectively).* Among youth with serious delinquency backgrounds, the difference in parole success rates increased to 28.8 percent (75.9 percent to 47.1 percent). However, these differences were not statistically significant.

Data summarized in Tables 2 and 3 indicate that the OK Community counseling program at AMJI also did not have a statistically significant measurable effect on participants' institutional behavior or educational progress. Again, nonprogram youth generally performed better on these measures than youth receiving counseling services. On the average, the comparison group generated fewer incident reports per month than program participants in both sets of comparison groups (see Table 2, Page 28).** Furthermore, only in the general population comparison groups did program participants score higher in an educational progress category (reading) than their nonprogram counterparts (.09 grade levels per month

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* Success is defined as not having been sent back to AMJI (parole suspension or revocation), not having been placed in a residential treatment program because of poor parole performance, or not having been placed on parole absconder status within the first six months on parole. Failure was construed as having one's parole revoked within the first six months because of new charges or technical violations. Partial failure was defined as having had one's parole temporarily suspended, being placed in a residential treatment program because of poor parole performance, or having been placed on parole absconder status within the first six months on parole.

** Incident report scores were standardized by dividing the number of incident reports generated during their stay in treatment cottages at AMJI by the number of months incarcerated in these cottages.

vs. .06 grade levels per month, respectively) (see Table 3, page 29).* In the other three educational progress comparisons, nonprogram youth scored higher. However, as in the analysis of parole performance, the differences in average incident report and educational progress scores (math and reading) of program and nonprogram youth were not considered statistically significant.

Poor service delivery - Poor service delivery may have contributed to the ineffectiveness of the OK Community counseling program at AMJI. A review of OK Community case files of program participants indicates that these youth received only a limited amount of counseling services (see Table 4, page 30). Although the average daily population in Cottage Alpha is approximately 36 to 38 residents and three full-time OK Community counselors are assigned to provide these services, OK Community staff documentation indicated that program youth only received an average of slightly more than one hour of counseling per week.

OK Community monthly summary reports indicate that its staff spend only a small percentage of their time counseling youth. For the three months in 1984 for which data were available, OK Community counselors spent only 35 percent of their time providing individual and group counseling services to Cottage Alpha residents. Furthermore, during these three months OK Community assigned only two full-time counselors to this program even though the contract called for three full-time counselor positions. For the nine months in 1985 for which data were available (March through December), the three counselors assigned to the AMJI counseling program spent approximately 20 percent of their time providing individual and group counseling services to Cottage Alpha residents.

* Upon incarceration at AMJI, new residents are given a series of educational tests measuring the grade level at which they are currently functioning. Just prior to release, the AMJI educational staff administer the same battery of educational tests. Educational progress scores were generated on youth in our comparison groups by measuring the difference between these test scores and dividing this difference by the number of months they were incarcerated at AMJI.

TABLE 1

COMPARISON OF PAROLE PERFORMANCE OF PARTICIPANTS AND NON-PARTICIPANTS IN THE OK COMMUNITY COUNSELING PROGRAM AT AMJI

General Population

	Nonprogram Youth		Program Youth	
	Percentage	Number	Percentage	Number
Failure	34.7	17	30.0	12
Partial Failure	12.2	6	27.5	11
Success	53.1	26	42.5	17
	100.0	49	100.0	40

chi-square = 3.340 gamma = -.074(1) p = .188

Serious Offenders

	Nonprogram Youth		Program Youth	
	Percentage	Number	Percentage	Number
Failure or Partial Failure	24.1	7	52.9	9
Success	75.9	22	47.1	8
	100.0	29	100.0	17

chi-square = 2.753 gamma = -.559(1) p = .097

(1) Gamma measures the strength and direction of the relationship between two variables. The value of gamma may vary from 0 (no relationship) to + or - 1 (perfect positive or negative relationship, respectively). As a general rule in social science research, a gamma equal to or greater than + or - .300 is considered substantial enough to report as a moderate or stronger relationship. However, even though a gamma may be considered substantial, one cannot infer that a relationship of similar strength could be expected in the population from which our study samples were drawn, unless the probability (p) of this relationship occurring by chance is equal to or less than the benchmark level of .05.

TABLE 2

T-TEST[1] COMPARISON OF AVERAGE
INCIDENT REPORTS GENERATED PER MONTH BY
AMJI COUNSELING PROGRAM AND NONPROGRAM YOUTH

	Program Youth		Nonprogram Youth		
	Incidents/ Month	Number of Youth	Incidents/ Month	Number of Youth	Significance Levels
General Population	.33	36	.19	49	.342
Serious Offender	.23	15	.14	28	.330

(1) T-test analyses are commonly used in social science research to determine whether the differences in average scores on a given variable for two different populations are statistically significant when independent random samples have been drawn from each population. T-tests are particularly appropriate for small samples.

TABLE 3

T-TEST COMPARISONS OF AVERAGE EDUCATIONAL PROGRESS SCORES IN MATH AND READING OF AMJI COUNSELING PROGRAM AND NONPROGRAM YOUTH (STANDARDIZED BY MONTH)

General Population

	Program Youth		Nonprogram Youth		
	Grade Levels/ Month	Number of Youth	Grade Levels/ Month	Number of Youth	Significance Levels
Math Progress	.04	33	.20	38	.279
Reading Progress	.09	33	.06	38	.798

Serious Offenders

	Program Youth		Nonprogram Youth		
	Grade Levels/ Month	Number of Youth	Grade Levels/ Month	Number of Youth	Significance Levels
Math Progress	-.13	13	.11	22	.397
Reading Progress	.03	13	.11	22	.606

TABLE 4

MEAN NUMBER OF DOCUMENTED COUNSELING SERVICES PROVIDED TO COTTAGE ALPHA RESIDENTS PER WEEK

Service Type	Serious Offenders Contacts Per Week (1)	General Population Contacts Per Week (1)
Individual Counseling	.39	.40
Group Counseling	.66	.53
Other Counseling Contacts	.14	.29
Total Counseling Contacts	1.19	1.22

(1) Individual and group counseling sessions are approximately one hour in length. Other counseling contacts vary from 15 minutes to one hour.

Excessive staff turnover - Excessive staff turnover and prolonged staff vacancies may also be negatively impacting the delivery of counseling services by OK Community staff, as well as posing potential security problems for DOC. The contract permits the service provider to transfer staff from its various programs as it deems necessary. This has resulted in a very unstable program environment. In 1984 one of three counseling positions assigned to the AMJI counseling program was vacant for at least nine months. Furthermore, the two filled positions experienced at least four staff changes during the year. This translates into a minimum turnover rate of 200 percent in 1984. The minimum turnover rate was again 200 percent in 1985.

Interviews with AMJI administrative staff indicate that turnover among Cottage Alpha counselors has been a continual problem. In some instances new counselors have begun working in Cottage Alpha before they were interviewed or had a background check conducted by AMJI administrative staff. Not only does this contribute to a highly unstable program environment, but potential security problems could also arise.

Further research needed - Further research is needed to evaluate whether other OK Community programs are effective. OK Community operates similar counseling programs at two other juvenile and four adult institutions. However, these programs are not necessarily identical. For example, OK Community administrators stated that the Cottage Saguaro counseling program at Catalina Mountain Juvenile Institution is more structured, with greater emphasis placed on formal counseling services, than is the Cottage Alpha counterpart.

However, before any further evaluations are conducted, the Department must address questions regarding poor service delivery and excessive staff turnover at other OK Community institutional program sites. It is premature to conduct evaluations of program effectiveness when it is unclear if the program is being implemented properly. Problems relating to poor service delivery and excessive staff turnover were also found in Auditor General staff reviews of OK Community monthly summary reports for other of their juvenile and adult institutional programs.

The Arizona Boys Ranch Conservation Program Has A Positive Effect

The Arizona Boys Ranch Conservation Program has had a statistically significant positive effect on program graduates. However, more research is needed to determine whether an aftercare component would increase the percentage of camp graduates who perform successfully on parole.

Program description - The ABR Conservation Program is an intensive, highly structured ten-week program that attempts to instill in participants responsibility, self-discipline and a positive work ethic. Program participants are referred directly from Adobe and Catalina Mountain Juvenile Institutions. The program has been operational since February 1984 and will cost the Department $888,000 during fiscal year 1985-86. DOC block purchases all 40 beds in the program at a cost of $1,850 a month per bed. Five Conservation Program sessions are to be conducted by ABR during the current fiscal year.

The program is divided into three segments. Initially each resident takes part in a one week orientation during which youth are familiarized with program rules, assessed by program staff, and have individualized treatment plans formulated. After completing orientation, program participants spend the next nine weeks rotating between field and campus segments.

During the field segments, youth work on outdoor projects for various county, State and Federal agencies. Residents and staff live in and work out of a mobile work camp that can travel throughout the State. The segments are one week long and residents participate in a minimum of four segments during their stay in the program.

During the campus segments, program participants are involved in both community and campus work projects, vocational assessments, and GED preparation as needed. Campus segments are also one week in duration and residents participate in a minimum of five segments.

After consultation with AMJI and ABR Conservation Program staff and administrators, Auditor General staff proposed to compare the subsequent parole performance of a select group of program participants with a comparable group of youth paroled from AMJI who did not participate in the program.

ABR Conservation Program is effective - Data summarized in Table 5 indicate that participation in the ABR Conservation Program had a statistically significant positive effect on participants' subsequent performance during the first six months of parole. Of the ABR graduates, 65.4 percent successfully completed their first six months on parole, while only 40 percent of the comparison group of AMJI parolees did so. A strong measure of association (gamma = .448) between program participation and successful parole performance was generated that is considered statistically significant ($p = .025$).

TABLE 5

COMPARISON OF PAROLE PERFORMANCE OF
ARIZONA BOYS RANCH CONSERVATION PROGRAM GRADUATES AND
YOUTH PAROLED DIRECTLY FROM AMJI

	AMJI Parolees		ABR Graduates	
	Percentage	Number	Percentage	Number
Failure	44.0	22	21.2	11
Partial Failure	16.0	8	13.5	7
Success	40.0	20	65.4	34
	100.0	50	100.0(1)	52
chi-square = 7.327	gamma = .448		p = .025	

(1) Discrepancy due to rounding.

Further research needed - Further research is needed to determine whether an aftercare component would enhance the effectiveness of the ABR Conservation Program. The Director of the ABR Conservation Program contends that a majority of the youth who complete the program are in need of "strong aftercare support."

> With young men such as these, we can provide structure for 10 weeks and provide them with many opportunities to learn. We can get them to the point where they are willing to start making changes; but without continued strong support after they leave they will find it . . . difficult to maintain their positive efforts.

A national study of juvenile treatment programs released in 1978 tends to validate the Program Director's concerns. This study concludes that the attitudes and skills acquired by youth in programs similar to the one conducted by the Arizona Boys Ranch do not necessarily translate into specific skills needed to succeed in their home environments without explicit follow-up.*

* See Dennis Romig, Justice For Our Children: An Examination of Juvenile Delinquent Rehabilitation Programs, Lexington Books, 1978, Chapters 4 and 8.

DOC Needs To Evaluate The Effectiveness Of Contracted Programs

DOC needs to systematically evaluate the effectiveness of its contracted programs. DOC should consider allocating permanent staff positions to regularly evaluate its contracted programs. Furthermore, the Department should take steps to ensure that specific program goals and measurable indicators of goal achievement are included in contracts and that data on these indicators are consistently collected at regular intervals.

DOC should allocate FTE positions to conduct program evaluations - To meet a recent legislative mandate, DOC should consider creating FTE positions that will be responsible for evaluating the effectiveness of its contracted programs. A footnote attached to DOC's 1985-86 appropriations report requires that the Department develop a "standardized evaluation system" to measure the performance of its service providers. The report further states that DOC cannot disburse any funds for contracted services after December 31, 1985, without having such an evaluation system in place.*

Based on the amount of time and personnel required for Auditor General staff to conduct evaluations of the OK Community and Arizona Boys Ranch programs discussed previously, we estimate that a minimum of two to three DOC program evaluation positions are needed. It would not be unreasonable for a program evaluation staff of this size to conduct eight to 12 comprehensive evaluations of program effectiveness per year. This would allow for the evaluation of approximately 30 contracted programs (totaling $5,080,000 during fiscal year 1985-86)** over three years. Furthermore, once a comprehensive evaluation system has been established and data are regularly collected on indicators of goal achievement, the number of evaluations conducted yearly by DOC program evaluation staff should increase by a sizeable margin.

* To meet the intent of the footnote, DOC personnel and legislative staff have met to develop methods for evaluating contracted programs.

** This figure is based on the DOC purchase of care, substance abuse monitoring and major institutional counseling contracts.

In creating these positions, DOC should take steps to ensure that these positions are placed in an appropriate organizational unit that promotes evaluation staff autonomy and ready access to policy makers and individual program managers. Furthermore, DOC may be able to supplement its in-house evaluation capability with outside consultants.

Development of program goals and indicators of goal achievement - The Department of Corrections needs to ensure that specific program goals and measurable indicators of goal achievement are specified in contracts and that data on these indicators are collected at regular intervals.

Auditor General staff evaluations of OK Community counseling and the Arizona Boys Ranch Conservation Program were hampered because programs goals and indicators of goal achievement were often too general and subjective. Furthermore, in instances in which specific program goals and indicators existed or could be developed, data on these indicators were often sparse or in a format that could not be subjected to statistical analysis.

CONCLUSION

The Department of Corrections needs to regularly conduct in-house evaluations of the effectiveness of its contracted programs. Outcome evaluations conducted by Auditor General staff indicate that the OK Community counseling program in Cottage Alpha is not having any statistically significant effect on Cottage residents' institutional behavior or subsequent parole performance. However, participation in the Arizona Boys Ranch Conservation Program is having a statistically significant positive effect on participants' subsequent parole performance.

RECOMMENDATIONS

1. To meet its legislative mandate, DOC should create 2 to 3 FTE positions that will be responsible for evaluating the effectiveness of its contracted programs

2. DOC needs to take steps to ensure that specific program goals and indicators of goal achievement are clearly specified in contracts and that data on these indicators are collected at regular intervals as part of the contract monitoring process.

3. Based on the two evaluations conducted by Auditor General staff, DOC should:

   a. take steps to address questions concerning poor service delivery and excessive staff turnover in the Cottage Alpha counseling program and other OK Community institutional programs,

   b. conduct program evaluations of all OK Community counseling programs in adult and juvenile institutions, and

   c. determine what effect the addition of an aftercare component to the ABR Conservation Program would have on program participants' subsequent parole performance.

FINDING IV

THE DEPARTMENT OF CORRECTIONS NEEDS TO IMPROVE FISCAL OVERSIGHT AND CONTROL OVER ITS COMMUNITY COLLEGE CONTRACTS

The Department of Corrections (DOC) needs to improve the monitoring of its community college contracts. Because fiscal oversight and control over these contracts is weak, DOC may be paying more than is necessary. In addition, the Department may be able to negotiate more favorable college contract provisions.

Background

The Department of Corrections contracts through intergovernmental agreements with community college districts to provide inmate education services at various prison sites. DOC currently has contracts with Pima, Graham, Maricopa and Pinal County Community College Districts and is in the process of contracting with Cochise County Community College District. The districts offer academic and vocational college credit courses to inmates. As of March 1986, DOC's fiscal year 1985-86 college contracts totaled $1,196,544.

Qualified community college districts receive State funds for operating expenses, based on full-time equivalent student enrollments (FTSE).* The State pays the districts at various rates, depending upon the number of FTSE generated.** The intergovernmental agreements require DOC to pay all program costs, including tuition and fees, less the FTSE monies received for DOC students.

* FTSE counts are used in determining district State aid. Different State aid categories exist. For example, districts receive basic State aid for all academic courses but can also receive additional funds for vocational or technical courses.

** In fiscal year 1984-85, two rates were used for both academic and vocational FTSE reimbursement, and three rates were used for each category in fiscal year 1985-86. FTSE count totals determine which rates districts will be entitled to use for reimbursement purposes.

The Department Needs To Improve Fiscal Oversight Control

DOC needs to strengthen contract financial oversight controls. Currently, DOC does not verify the accuracy of program direct expenditures. The Department does not verify district FTSE counts and resulting program revenues. In addition, one program is currently carrying excessive cash balances. By contrast, other State agencies have internal auditors to verify program financial activity.

Program expenditures not audited - The Department has not recently audited direct program expenditures. DOC receives quarterly expenditure program summary reports from the districts. However, this information does not verify whether individual expenditures within report categories were proper and were made for DOC programs. In addition, unusual expenditures may not be revealed without an audit of district year-end records.

Although some DOC staff involved in the negotiation and contracting process believe that district records of DOC programs should be audited, the Department has not initiated any recent audits. In contract year 1984-85, for example, DOC was concerned that a district had changed expenditure categories and allowable amounts within those categories, without DOC authorization. Although initially concerned about possible contract violations, DOC eventually relied on the district's correction of these problems without any independent review or verification.

Excessive cash balance exists at one district - DOC has allowed excessive cash balances to accumulate for one college program. Cash balances are excess program monies and occur when revenues exceed expenditures. For example, more FTSE revenue or fewer expenditures might have occurred than originally projected in the contract budget. In this one instance, DOC allowed a cash balance of $124,000 to accumulate. This resulted in DOC paying more than necessary for district services. Although DOC has since taken action to reduce the cash balance, $56,900 still remains unused and held by the college.

State aid counts and revenues not verified - The Department does not verify FTSE counts and resulting State aid revenue of its college programs. The districts include State FTSE money as revenue for the DOC programs. DOC pays all program costs and expenditures not paid by the FTSE revenue. Therefore, because FTSE counts directly affect revenue for the DOC programs, the Department needs to audit pertinent college records to ensure that it is being credited all the FTSE revenue generated by its programs. Although each district's FTSE is audited each year by the Auditor General's Financial Audit Division, these audits cannot assure DOC that FTSE generated by its students is properly credited to Department programs. These are district-wide audits and are not designed to determine FTSE and financial activity specific to DOC programs.

Other State agencies audit contractor records - Other Arizona agencies have an internal audit staff to ensure contract compliance and verify program expenditures. The Department of Economic Security and the Department of Health Services periodically audit contractor records to ensure that program funds are properly spent. These two internal audit groups range in size from 12 to 15 members.

In contrast, the Department's three internal auditors do not audit contractor records. According to Department personnel, this is because the group has a small staff and other assignments take precedence over professional service contract audits. The audit group performs operational and programmatic facilities reviews and is currently auditing Department revolving funds and institution club funds. However, the Department's Chief Internal Auditor believes that DOC should regularly audit contractor records.

DOC May Be Able To Negotiate More Favorable Contract Provisions

The Department may be able to negotiate more favorable contract provisions with the community colleges. DOC may be paying more than necessary in its current inmate college education contracts. In addition, DOC needs to strengthen its review of completed contracts.

DOC may be paying more than necessary - The Department may be paying more than necessary for inmate college education. DOC could reduce its education contract costs by negotiating more favorable FTSE and overhead cost contract provisions.

Currently, most districts credit DOC program revenues using the lowest possible FTSE rates. FTSE revenues decline as enrollment reaches specified levels. In developing revenue projections, three of the four districts we reviewed credit DOC students as if they were the last to enroll.* This is because they consider DOC programs as marginal or add on. However, analysis indicates that DOC students currently represent an increasingly large base of these colleges' enrollments. Currently, Department programs account for nearly 20 percent of total FTSE counts for some districts. Further, actual total district FTSE counts decreased at all the contracted districts between fiscal years 1983-84 and 1984-85. However, DOC contracted FTSE counts increased or remained stable during fiscal years 1984-85 and 1985-86. Therefore, DOC generated FTSE are becoming an increasingly larger share of the district FTSE.

The Department might have reduced its contract contribution by thousands of dollars if it had negotiated with the districts for higher FTSE reimbursement rates for its programs. For example, contracting for the use of district average FTSE rates would have increased FTSE revenue for the DOC programs, which would have reduced DOC's cost for the programs. Average rates can be calculated by dividing total expected district basic State aid revenue and vocational revenue categories by total projected FTSE in those categories.

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* The use of these lower rates results in the least possible revenue reimbursement to DOC. Since FTSE revenue and DOC contributions are the only revenue sources for the DOC programs, the Department pays the balance of program costs not credited as FTSE revenue. Therefore, DOC pays more for its programs than may be necessary when districts use lower FTSE rates to credit Department programs. For example, if a district reported 6,000 regular FTSE in fiscal year 1985-86, the State would pay the district $1,030 per FTSE for the first 2,500 FTSE, $720 for 2,500 to 5,000 FTSE, and $510 for all FTSE in excess of 5,000 (in this case, 1,000 FTSE). Other rates apply to different State aid categories.

Currently, one of the four districts we reviewed uses projected average rates for basic and vocational FTSE reimbursement. Table 6 shows DOC potential savings of approximately $104,800 for contract year 1984-85 when average rates are calculated and applied to the other three districts. Using this method in fiscal year 1985-86 would have reduced DOC's contract costs by approximately $74,000.

TABLE 6

CONTRACT YEAR 1984-85 COMPARISON OF
CONTRACT AND DISTRICT AVERAGE ESTIMATED FTSE REVENUES

District	DOC Contract FTSE Revenue	DOC FTSE Revenue Using District Average FTSE Rates	Additional DOC FTSE Contract Revenue When Average Rate Is Used
Graham	$283,244	$320,197	$36,953
Pima	88,562	93,518	4,956
Pinal	253,720(2)	316,640	62,920
Total Increase Of DOC Contract FTSE Revenues With Use Of Average FTSE Rates			$104,829

(1) The calculations in this table were prepared using DOC contract budget FTSE count projections, and total district count projections obtained from the Arizona Community College Board.

(2) The Pinal College District contract's total vocational revenue is understated because of a math error. The correct vocational revenue amount is used in this Table.

Source: Prepared by Auditor General staff from 1984-85 DOC community college contracts and district budget information obtained from the Arizona Community College Board

DOC might also have reduced its contract costs by negotiating for proportional FTSE revenue reimbursement. As another FTSE reimbursement option, proportional reimbursement is determined by multiplying actual district State aid received, or expected to be received, by DOC's percentage of actual FTSE counts to district actual counts.* Using this method, Department programs would be credited the amount of district State revenues actually generated by DOC FTSE.

As shown in Table our analysis using the same three district contracts indicates that DOC could have saved $61,876 by negotiating proportional FTSE reimbursement method.

TABLE 7

COMPARISON OF CONTRACT YEAR 1984-85 ACTUAL DOC PROGRAM FTSE REVENUES TO ACTUAL PROPORTIONAL FTSE REVENUES

District	Actual Program Reimbursement	Proportional Reimbursement Of Actual Revenue	Additional Proportional Revenue Over Actual Reimbursement
Graham	$279,317	$317,929	$38,612
Pima	84,780	90,949	6,169
Pinal	278,400	295,495	17,095
Total Additional DOC FTSE Revenue When Proportional Reimbursement Is Used			$61,876

Source: Prepared by Auditor General staff from fiscal year 1984-85 DOC community college contracts, Auditor General 1984-85 Financial Audit Division audit files, district budget information obtained from the Arizona Community College Board, and information obtained from the districts

* For example, assume a district generated 4,000 total FTSE during a fiscal year and Department programs generated 400 FTSE, 10 percent of the district total. Based on fiscal year 1986 FTSE rates, actual district FTSE revenue would total $3,655,000, based on FTSE rates of $1,030 for the first 2,500 FTSE and $720 for the remaining 1,500 FTSE (2,500 FTSE x $1,030) + (1,500 FTSE x $720). Therefore, proportional reimbursement for the DOC program would be $365,500 (10 percent of $3,655,000). Program revenue calculated using the lowest rate would total $288,000 (400 FTSE x $720), $77,500 less than proportional revenue.

In addition to FTSE rates, the Department has not recently analyzed overhead costs. Overhead costs charged to DOC programs total $498,500 for fiscal year 1985-86. Overhead categories include general institutional, student safety and Office of the President. Although DOC in the past reviewed and eliminated broad account categories, it has not analyzed detailed expenses of remaining overhead accounts. DOC should examine these costs to ensure that the prison programs receive indirect benefits. DOC should test District overhead expenditures for reasonableness and propriety, and negotiate overhead rates that reflect these benefits. This is especially important because overhead accounts for nearly one-third of total program costs in two current contracts.

Inadequate review of completed contracts - The Department does not adequately review the accuracy of completed community college contracts. This has resulted in costly math errors, and inconsistent contract provisions. Some State aid revenue budget calculations were incorrect in two recent contracts. In one contract, a calculation error combined with outdated FTSE rates increased DOC's costs by nearly $10,700.

DOC's inadequate review of completed contracts creates other problems in addition to overpayment. For example, a current contract is missing a provision usually contained in college contracts. The provision stipulates that the district, in conjunction with DOC, will develop a system of monitoring instructional quality. Districts are to submit monitoring results to DOC with specified quarterly reports. The adequacy of completed contract review is especially important when, as in this case, the district prepared the contract rather than DOC.

Further, some contracts do not supply detailed FTSE count or program cost and expenditure information. Even though most contracts contain some detailed FTSE count and program expense information, the information does not always agree with other parts of the contract.

CONCLUSION

The Department needs to improve fiscal monitoring and preparation of it's inmate education community college contracts. DOC needs to improve

contract financial oversight control. In addition, DOC may be able to negotiate more favorable contract provisions.

RECOMMENDATIONS

1. The Department should:

   a. Verify FTSE credited to its programs by the college districts.
   b. Revise current contract language to ensure current year contract adjustment of cash balance carryover.
   c. Review community college district overhead account activity to determine the appropriateness of the relationship of these accounts to Department programs, and negotiate overhead rates accordingly.

2. The Department should conduct audits of community college district year-end records to verify direct program expenditures. It should direct its internal audit staff to perform financial audits and reviews of relevant district records. DOC may need to assess the adequacy of the group's size.

3. DOC should pursue more favorable FTSE revenue contract provisions.

4. The Department needs to conduct thorough reviews of completed contracts to ensure document accuracy.

OTHER PERTINENT INFORMATION

During our audit, we developed other information pertinent to one of the Department of Corrections education contracts.

Inmates Received Grades For Canceled Courses

A legislator referred information to us alleging that an inmate had received a grade for a course in which he was enrolled but which had been canceled. Our limited follow-up shows that the college district inappropriately gave inmates grades and may have received State full-time student equivalent (FTSE) money.

Pinal Community College district scheduled two courses for the spring 1984 semester, to be taught by the same instructor to Arizona State Prison-Florence inmates. Originally, the district coded the courses as prison courses but later recoded them as nonprison, main campus courses.

District personnel have conflicting opinions regarding the alleged canceled courses. The Registrar's Office contends that the courses were not officially canceled. However, according to the district's prison campus dean and a course listing, both courses were canceled during the semester because the instructor failed to attend class. Moreover, the district's Business Office canceled all the instructor's contracts for the semester after some payments had been made.

Inmate transcripts show that inmates received grades for both courses. However, attendance documentation indicates that neither the 45-day FTSE count class roster nor the final grade roster were signed by the instructor. Rather, a Registrar's Office staff member signed the forms. According to the Registrar's Office, if students received grades State FTSE money would have been requested.

This appears to have been an isolated occurrence. All credit hours claimed for State Aid are susceptible to selection for testing in the Auditor General financial audit of State Aid Entitlements. The more pervasive the occurrence rate of an error, the greater the likelihood that

erroneously claimed credit hours would be selected for testing and detected. Such testing by the Auditor General's Financial Audit Division has not disclosed additional instances.

AREAS FOR FURTHER AUDIT WORK

During the course of our audit, we identified potential issues that we were unable to pursue due to time constraints.

Does DOC Adequately Determine When It Is Appropriate To Contract For Services?

DOC may not adequately assess when it is most appropriate to contract for services rather than provide them in-house. DOC contracts out for one 40-bed juvenile conservation program, at a cost of $888,000 for the current fiscal year. A similar 35-bed program, provided within the Department, is estimated by DOC to cost $322,900 for fiscal year 1986-87. The Department did not perform any cost-benefit analyses in deciding whether to contract out for these services. Authoritative literature suggests that contracting decisions be based on cost and quality analyses. Further audit work is required to determine whether DOC adequately decides when it is beneficial to contract for professional services.

Should DOC's Community Based Service Contracts Provide Services To Non-DOC Clients?

Department documentation shows that at least two community based service organizations provide services to non-DOC clients as part of their DOC contracts. The Attorney Generals Office recently advised DOC that such arrangements are improper. Further audit work is needed to determine the extent of services financed by DOC for non-DOC clients.

Is The Department's Contract Development Period Sufficient For Timely Contracting?

A sample of DOC contracts showed that 71 percent of the contracts were executed after the date services were intended to begin. This occurs because DOC does not begin its contract process until April, which allows only three months for contract development. When complications occur, the process can extend beyond July 1, the effective date for most contracts. Further, DOC often competes with other government agencies for services yet it begins the contracting process two to three months later than most

agencies. For example, the Department of Economic Security begins the process in January, and places advertisements for proposals for services beginning the first week of February. Authoritative literature suggests that the process should begin six months before the expected service starting date. Further audit work is needed to determine whether competition has been impaired and to establish an adequate time period for the Department's professional service contracting process.

Arizona Department of Corrections

1601 WEST JEFFERSON
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BRUCE BABBITT
GOVERNOR

SAMUEL A. LEWIS
DIRECTOR

July 2, 1986

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

Dear Mr. Norton,

The attached response to the Department of Corrections' Contracts Management Function Performance Audit is provided for inclusion in the text of the published report. This response has been prepared as a result of our review of the final revised preliminary report draft which was submitted to us with your June 25, 1986 letter.

The Department agrees with your report in that this area requires attention. To that end the Department has, in the past twelve months, taken action to remedy the majority of the items cited in the report.

We continue to be disappointed with the audit reports published on our Department. Your office has not recongized the work the Department has already undertaken or accomplished nor does your office acknowledge that the Department was aware of the problems pointed out.

If you have any questions on the attached response, please contact me at 255-5497, or Roger Austin at 255-3525.

Sincerely,

Samuel A. Lewis
Director

Attachment

SAL/RHA/g

JUL 1986
RECEIVED
AUDITOR
GENERAL

FINDING I

RECOMMENDATION #1 - The Department should establish and follow a systematic method of selecting and awarding contracts.

The Procurement Code was initiated in January 1985, six (6) months prior to the beginning of a new fiscal year and approximately three (3) months prior to initiation of the annual contracts procurement process for fiscal year 1985/86. In this time, the State Purchasing Office had to train all Agency Purchasing/Contracts staff regarding the new code. Subsequently, staff training of line staff had to take place within each respective State agency. In this short time, new forms were developed, training classes were established, and some very basic training regarding the new code took place.

The procurement process for 1985/86 started with little time to train and gain familiarity with a totally new code which held staff far more accountable than ever before.

Fair and open competition was encouraged and promoted at all times. Services were advertised in accordance with Code requirements. Formal written evaluations did not always occur, however, but this happened more from lack of understanding than from a willful intent to violate the code.

During this time, there was not one protest filed by any offeror indicating that they felt their proposal had not been fairly considered. All proposals received during this time were available for review by the Auditor General's staff. Analysis could have been performed to ascertain if, in fact, program staff had erred in selection of offerors whose services were not advantageous to the State. Errors were admittedly made, however, they were not made to the detriment of the State in the majority of the contracts awarded. Those that remain questionable are those with "perceived" political pressure. Fiscal 1985/86 was a stepping stone to identifying specific problem areas that occurred relative to the new Procurement Code. The Contracts training offered for 1986/87 addressed those weak points. A great deal of time and effort was expended in developing evaluation tools, with input from the State Procurement Office, to be used by the Program areas. We attempted to make all the puzzle pieces of the Procurement Code fit together to promote better understanding of how all the component parts relate to each other.

Staff are now fully aware that they are required to perform written evaluations of each proposal and that the evaluation factors relate to those identified in the RFP. All evaluations, Justifications of Contract Awards and Requests for Contracts must be signed by evaluators, supervisors and appropriate Assistant Directors before submission to the Contracts Office. Staff understand that they must utilize the forms provided by the Contracts Administration Office unless they are able to identify another effective evaluation tool. If they elect to use another tool, it must be in the form of a written evaluation and must include all factors identified in the RFP and must be forwarded for inclusion in the contract file.

A Contract Guide was prepared and distributed in April to all program staff involved in the contract process to ensure pertinent guidelines and processes are readily available for review. Updates to Guides are provided as necessary.

RECOMMENDATION #2 - The Department should give Contracts Administration adequate authority to enforce compliance with the Procurement Code.

The Contracts Administration Office staff fully understands the Procurement Code in regard to the procurement of Professional Outside Services. The office has established uniform processes to be followed in order to ensure compliance with the Code.

Errors in processing are corrected and contracts are developed properly in accordance with RFP guidelines and requirements. However, as in any organization, if a Director or Assistant Director requires that a specific contract be written with a particular clause and the Attorney General does not preclude such a clause, the contracts are prepared as directed.

It should be noted that until 1985/86, the Attorney General's Office had signed off on the contracts aforementioned in the report without any indication of impropriety and, in fact, for those contracts referred to on Page 10; had signed off with no objection to payment for non-DOC clients.

Additionally, the auditors seem intent on interpreting a statement made during the training conducted for the 1986/87 contract year to be one that encourages violation of the Code regarding RFP evaluation. The statement was one that indicated that if program staff were aware of other evaluation forms or processes that would better the system, to please share the information to permit others the benefit of knowing of other methods for evaluation. It was also reiterated that the evaluation process utilized must coincide with criteria identified in the RFP.

The code only requires that written evaluations be based on criteria reflected in the RFP. It does not require, nor does the State Purchasing Office require, that specific instruments or processes be followed. What is the purpose in quashing innovativeness or creativity? DOC is NOT in violation by allowing other evaluation tools to be utilized as long as they are in accordance with RFP requirements/guidelines. The Contracts Office has provided the direction to program staff and we have offered methods, but we have not dictated which is the better method. We enforce the Code by ensuring the RFP guidelines are adhered to.

RECOMMENDATION #3 - The Contracts Administration Office should actively participate in the selection process. This may necessitate an increase in staff.

The Contracts Office has been allocated additional staff for FY 1986/87. Additional staff will be requested in the FY 1987/88 Budget.

RECOMMENDATION #4 - The State Purchasing Office should review the Department's contract process and determine whether further involvement is necessary.

The Department disagrees with this recommendation. We have taken corrective action in many areas of this process and are now in compliance with the Procurement Code. The Department's staff is capable of solving problems that may exist with the current contracting process. There is no reason for the State Purchasing Office to be involved in this area.

FINDING II

RECOMMENDATION #1 - DOC should formalize contract monitoring procedures to ensure adequate and consistent monitoring efforts throughout the Department. Procedures should be implemented at the beginning of each contract period.

Steps are being taken to correct the problems identified in the area of Purchase of Care, however, monitoring and evaluation processes take time to implement. Juvenile/Community Services has, with its 1986/87 RFPs and Contracts, initiated a classification of services and has developed service specifications to be used in conjunction with the classification. These documents were developed specifically for the Purchase of Care programs. The Adult Community Service area is also taking steps to utilize a similar process. All program areas are recognizing the importance to more specifically identify services and performance levels required of the contractors in order to enable the program area to effectively monitor the contracts.

This is part of the learning curve associated with the continual growth of conctracted services within the Department and the accountability required by the Code, the Legislature and the Department itself. Many positive steps have been taken since January 1985. The mistakes that have been made have been corrected and areas have been identified to be strengthened and established.

FINDING III

RECOMMENDATION #1 - To meet its legislative mandate, DOC should create 2 - 3 FTE positions that will be responsible for evaluating the effectiveness of its contracted programs.

The Department is meeting the legislative mandate of providing the required information to the JLBC staff as stipulated by the JLBC. To date far this has been statistical information in terms of contracts for services within the Department and have been limited to a few subject areas. The Department will be evaluating the services procured in FY 1986/87 by consultants hired with purchase of care funds set aside for this purpose.

Recommendations #2 and #3

The Department concurs with these recommendations.

FINDING IV

RECOMMENDATION #1, #2, and #3

The Department has concerns in this area as well.

Each year the FTSE rate is questioned, but generally the community college districts consider DOC programs as marginal or add on. The Department has recognized that the reimbursement rate should be higher for DOC programs. However, as the auditors fail to acknowledge, negotiations involve two parties who must be willing to discuss alternatives. The Districts are not willing to negotiate on this matter. They realize that, 1) the Department cannot procure similar services elsewhere for less money, and 2) if they wait long enough each year, the Department will become anxious about having education programs available for the inmate populations. They stall until the discomfort zone arrives for DOC. Implementation of these recommendations depends solely on the cooperation of the community colleges.

OK COMMUNITY

"WHERE YOU GO TO FEEL OK"

800 North 1st Street • Phoenix, Arizona 85004 • 257-1076

JUL 1986
RECEIVED
AUDITOR
GENERAL

MR. DOUGLAS R. NORTON
AUDITOR GENERAL
2700 NORTH CENTRAL AVENUE
SUITE 700
PHOENIX, ARIZONA 85004

In response to your letter of June 25, 1986, we want to clarify the following items which you listed as difficult to discern (numbered as yours on pages 2-5 of your letter):

1. Since we have been hired as counselors rather than statisticians and since the terms "significant" and "positive" are used with great frequency in therapy, we appreciate your agreement that those terms should have been more clearly defined. Futhermore, stripped of the language of decision theory and of concern with personal probabilities, all that a significant result implies is that one has observed something relatively unlikely given the hypothetical situation, but relatively more likely given some alternative situation. Everything else is a matter of what one does with this information. Statistical significance is a statement about the likelihood of the observed result, nothing else. It does not guarantee that something important or even meaningful has been found.

2. We agree that evaluation is a critical management tool. Because we share that belief, we evaluate our programs in weekly program coordinators meetings, weekly staff meetings and with consistant frequency we evaluate individual staff members (i.e. attatched forms).

3. OK COMMUNITY strongly emphasizes the need for a multicultural counseling staff not only because of differences in value systems, but also because of the diversities in languages and dialects including Black English, the various dialects of Spanish as well as gang lingo. However, neither the P.M.L.A. Writing Guide nor Form and Style by Campbell has yet to validate the acceptance of split infinitives in writings concerning scientific research methodology. Any linguist or writing teacher or manuscript reviewer would agree that English usage is in a constant state of flux. However, the appropriate style form for scientific writing is usually one of the last areas to accept linguistive change. This premise has been validated by some outstanding linguists in the field such as Drs. Raven and Virginia MacDavid, Dr. Alva Davis and Dr. Mackie Blanton.

4. Please review your own report in which you stated that the superintendents knew little of evaluation methodologies.

Page 24, Paragraph 1: Merely because of the same set of indicators were used for both groups does not mean that those indicators were valid. Validity is the degree to which an instrument measures what it purports to measure. The primary purpose of the analysis of covariance is to provide an adjustment of the results of an experiment for differences existing among subjects before the start of the experiment. Scores on a control variable are used to adjust for chance differences among treatment groups and to reduce error of variance.

Two concepts frequently used by psychologists and other behavoral researchers are independent variable and dependent variable. The independent variable is used in regard to the absence of external stimulation whereas the dependent variable is defined as the measured changes in subjects as indicated by their responses, for example, frequency of avoidance responses. It should be noted that the independent variable is only one sufficient condition among many which can affect the phenomenon being studied. For instance, maze learning will be affected to varying degrees by the size of the maze as well as the amount of food reward that is given. The paralel here of course is the prison environment, i.e. Alpha Cottage restriction prison priviles exceed those of other cottages. This supposedly was due to the fact Alpha Cottage students were violent offenders and the reward system under the control of the Department of Corrections staff, i.e. early bedtime, late hours, early discharge, lengthened incarceration, would be equivelent to food reward.

All experiments require that certain conditions be kept constant because these conditions may affect in some way the responses being measured.

Variable complementation is the consistency of comparison and similarities with independent and dependent variables as well as

an analysis of variance. This difference is evaluated by comparing the variations within the samples to the variations between the samples.

Page 24, paragraphs 2 and 3: We disagree with the validity of your selection of indicators of behavioral change in spite of the fact that the Department of Corrections agrees with you. Our approach to troubled youth is far more holistic and longitudinal in its assessment of success, although we rarely have the time to design a research study because of our involvement with young people. Since the term "partial failure" has limited quantitive value, it is scientifically inappropriate.

Page 27 and following: Many areas of your scientific methodology are of questionable validity and reliability. The Technical Report does nothing but reinforce that opinion.

1. Limits of Counseling Time: It is our understanding that the time of your study was January 31st 1983 to January 31st 1985, and on the basis of that we are curious as to what the Department of Corrections officials currently at Cottage Alpha or currently at Adobe Mountain Juvenile Institution would be familiar with the OK COMMUNITY program during that entire period of time. From January 1983 to January 1985 there has been a complete turnover of staff not only at Cottage Alpha but all other cottages at Adobe, consequently there are few if any line staff that would be knowledgeable of the OK COMMUNITY at that time.

What you again have failed to indicate is during the two year period of time is that two major projects were initiated by the Department of Corrections staff in Cottage Alpha.

Length of program guidelines: the intent being for Cottage Alpha students, due to their violent crimes, to spend more time at Cottage Alpha for those crimes.

Secondly, a CPO concept (Correctional Programs Officer) with emphasis on Department of Corrections personnel being more directly involved in treatment issues. The length of program guidelines was never effective due to the increase of violent crimes during that period of time. This increase forced the Department of Corrections to be unable to function within their length of program guidelines i.e. 8 months minimum, 1 year maximum. The increase of course created a situation where there had to be a rapid turnover to provide room for incoming students. This is one of the main reasons violent students were integrated into other programs. This reduction in time has a dual impact; we're talking about a mean or norm of approximately three and a half months! And although you speak of the period of time you used to determine success (first six months) on parole, you did not indicate what you determine as an adequate amount of time in order to affect criminal behavior. So, are we to believe it is your contention that fourteen to sixteen years of behavior, lower socio-economic community, inferior education, racial stigma, unemployment, are factors not to be considered? that you ignore these factors and ignore the three and a half month period of time he is actually at Adobe? Are you suggesting that sufficient time to impact the negative aspects of his environment and life-style? You speak of failure as being violation of parole within the first six months of release. What you don't speak of is what period of time each individual youth was in the program prior to that period of time and if the counseling hours provided to each student was provided by OK COMMUNITY staff and Department of Corrections staff. Are we to believe you can determine which had the greator impact? Are you attempting what no other socio-scientists have attempted? To predict behavior by dealing with only the affect not the cause?

It was the request of the Department of Corrections that the OK COMMUNITY staff reduce the hours on week-ends. If you would have carried your research further you would have seen the OK COMMUNITYS original proposal and every proposal until 1983 indicating an eight hour week-end Saturday and Sunday. The rationale for the change was an "over kill". Department of Corrections staff felt the students should have some time for themselves and since Saturday was really a visitation day and consequently chaotic. Sunday was

considered a day of rest and for preparing for the coming week. You imply that it was only recent that the count increased tremendously in Cottage Alpha. We beg to differ. The Minors Unit is a direct result of the increase of violent crime incarceration and recidivism by violent juveniles.

Scheduling has always and will always remain a problem. Not due to any restraints on the Department of Corrections but to the fact there are only twenty-four hours in a day and we think we spelled out a typical days schedule, "Begining with...classes begin at 8:30 to 11:30 a.m., lunch begins at 11:30 to 12 p.m., school class is from 12 o'clock until 3 p.m., dinner begins at 4:40 p.m., recreation begins at 5 p.m., ect..

2. Staff Turnover: It is the philisophical concept of OK COMMUNITY to hire from a high risk population; ex-offenders, ex-drug addicts, ex-prostitutes, ect., and to have former members of our internal programs thereby providing a dual service to the State of Arizona. We believe we not only affect juvenile ricidivism but adult recidivism.

Why wasn't an effort made to pursue the validity of this concept by contacting former staff members and discerning as we advocate that they have been integrated into the mainstream of society in a productive manner.

3. Campus-wide Impact: Again we are concerned about the feedback you are getting from former or current Department of Corrections staff. We seriously doubt the validity of your source of information. Especially when you indicate a Department of Corrections Administrator has given you information about what transpires on the campus at Adobe Mountain Juvenile Institution. Our experience has been, and if you are familiar with prison environment, few if any Administrators know what's going on on a daily basis. Come on, let's be serious! Who determines a non-Alpha youth? In this period of time in question...what are we speaking about? Total recall? Again, get serious!

O.K. COMMUNITY PERFORMANCE ASSESSMENT 9/82

EMPLOYEE: _____ SUPERVISOR: _____

EMPLOYEE TITLE: _____ Period Covered: _____

A. WORK OBJECTIVES AND RESPONSIBILITIES

FACTOR 1. ADAPTABLITY ON THE JOB AS A WHOLE	PERFORMANCE ASSESSMENT				
	EXCELLENT	ABOVE STANDARDS	MEETS STANDARDS	BELOW STANDARDS	UNACCEP-ABLE
1. Observation of rules (conduct, policies).					
2. Cooperation with supervisors*					
3. Relations with fellow workers*					
4. Attitudes: willingness to learn, including staff training*					
5. Dependability*					
6. Initiative and resourcefulness*					
7. Versatility*					
8. Effectiveness in organizing self & tasks					
9. Decisiveness*					
10. Leadership*					
11. General adjustment to conditions of work					
12. Other					
FACTOR 2. QUALITY OF WORK					
13. Accuracy and thoroughness of work including record keeping and paper work					
14. Neatness, clarity and acceptability of work.					
15. Soundness of judgments and decisions					
16. Effectiveness in meeting and dealing with people (clients & general public at work					
17. Effectiveness in presenting ideas/facts.					
18. OTHER					

*FACTORS DEFINED IN KEY ON PAGE 3

	PERFORMANCE ASSESSMENT					
	EXCELLENT	ABOVE STANDARDS	MEETS STANDARDS	BELOW STANDARDS	UNACCEPT-ABLE	
FACTOR 3. PRODUCTIVENESS						
19. Amount of acceptable work produced*						
20. Meeting realistic deadlines						
21. Progress toward meeting objectives						
22. Other						
FACTOR 4 CLINICAL SKILLS						
23. Awareness of problems						
24. Appropriate skills						
25. Treatment skills						
26. Willingness to learn and apply new clinical techniques, including attendance in staff training.						
27. POTENCY (Would you refer clients to this person?						
28. Ability to facilitate/co-facilitate a group.						
29. Other						

SUPERVISOR'S COMMENTS: _____

_____

_____

EMPLOYEE'S COMMENTS: _____

_____

_____

CONTRACTED EMPLOYEE GOALS & OBJECTIVES FOR NEXT ASSESSMENT PERIOD:
(Areas to be improved on during next assessment period and how they are measured)

_____

_____

_____

NEXT ASSESSMENT DATE: _____

I have read and understand the content of this assessment.

EMPLOYEE: _____ SUPERVISOR: _____

DATE: _____ DATE: _____

ASS'T DIRECTOR: _____ EXECUTIVE DIRECTOR: _____

DATE: _____ DATE: _____

KEY

5 = EXCELLENT .....95% to 100% of the time
4 = ABOVE STANDARDS .....85% to 94% of the time
3 = MEETS STANDARDS .....70% to 84% of the time
2 = BELOW STANDARDS .....45% to 69% of the time
1.= UNACCEPTABLE ..... 0% to 44% of the time

FACTOR 1

2. Cooperation with supervisors: ability to relate with, coordinate with, work smoothly with.

3. Relations with fellow workers: how well do you relate with peers on staff?

4. Attitudes: willingness to resolve problems, openness to feedback (positive/negative).

5. Dependability: reliability; being on time where you say you will be; if given tasks to do, have done on time in an acceptable fashion without constant supervision.

6. Initiative and resourcefulness: Self-starter. Ability to meet and handle new and difficult situations.

7. Versatility: Ability to perform well in various facets of the job (i.e., 1-1's, group, school programs, jails, Durango T.C., paper work, etc.).

9. Decisiveness: able to make decisions.

10. Leadership: ability to direct and/or guide activity, or performance.

FACTOR 3

19. Amount of acceptable work produced: out of work produced, what % is acceptable?

TECHNICAL REPORT

PROGRAM EVALUATIONS OF OK COMMUNITY AND ARIZONA BOYS RANCH

Introduction

Auditor General staff initiated fieldwork to investigate the possibility of conducting program evaluations of one or more treatment programs provided to the Department of Corrections by private vendors. For optimum policy implications, the largest private vendor contracts were examined for their amenability to as rigorous a research design and methodology as possible under the less-than-perfect conditions in an uncontrolled environment. We isolated several contracts that had possibilities for evaluation. After preliminary investigations, we chose two contracts that best fit our research requirements for evaluation: the OK Community program at Adobe Mountain Juvenile Institution (AMJI) and the Arizona Boys Ranch (ABR) Conservation Camp program.

The technical report that resulted from the program evaluations was submitted for outside review to two professionals with extensive experience in the field of evaluation research. Both were recommended because of their credentials in academic and applied research. Professor Dennis Palumbo of the School for Public Affairs, Arizona State University, teaches courses in the area of evaluation research and is the author of numerous books and articles on the subject. In addition to being principal investigator on several evaluation grants, Dr. Palumbo is the editor of Policy Studies Review. Jerry Patnoe of the University of Arizona is currently Research Associate on a grant from the Arizona Supreme Court which is evaluating the effect of juvenile treatment programs. Mr. Patnoe also has a contract with Pima County Juvenile Court to do all its program evaluations.

Their overall evaluation of this report indicated that the design and methodology were quite good. Most of their comments recommended clarification and further explanation of certain points in the report.

All of these recommendations have been incorporated. The reviewers concur with the results of the analysis, noting that we have taken a conservative approach and presented a very cautious interpretation of the data.

OK Community offers counseling services to juvenile residents of Cottage Alpha at AMJI, and selected juvenile residents at Catalina Mountain Juvenile Institution (CMJI), New Dawn Center for Girls and juveniles on conditional release status. It also provides counseling services to adult inmates. Counseling is provided primarily by ex-offender paraprofessionals. OK Community is one of the largest private providers of services to DOC, with an overall contract for approximately $1 million. We focused on the OK Community counseling program at AMJI because it not only met our research design requirements but data were available and readily accessible from both DOC and juvenile court records.

The OK Community counseling program in AMJI's Cottage Alpha has been in operation since 1979. This counseling supplements DOC's own educational, work and recreational program provided to youth at the facility. At the program's inception, Cottage Alpha was reserved for violent, hardcore male delinquents - a population for which OK Community, through its use of ex-offender paraprofessionals, claims specialized expertise. Because of subsequent overcrowding and facility expansion, however, Cottage Alpha is no longer used as a treatment cottage reserved solely for this specific population. It now houses a mix of youth who have committed a broad spectrum of crimes.

The DOC contract specifies that OK Community assign three full-time staff for counseling services in Cottage Alpha. The counselors are to provide individual and group counseling sessions to all the youth in the cottage, not only those with delinquent histories involving violence.

The ABR Conservation Camp program has been in operation since 1984. DOC refers juveniles from AMJI and CMJI to the program, with a total contract cost of $888,000 for fiscal year 1985-86. It is an intensive, highly structured ten-week program which states that its intent is to instill

participants with responsibility, self-discipline and a positive work ethic through outdoor work projects for various county, State and Federal agencies.

The program is divided into three segments. The first week, during orientation, youth learn the program's rules and regulations. At this time they are also assessed by ABR program staff and individualized treatment plans are formulated. The next nine weeks are spent either in the field or on campus. The field segment involves youth in outdoor work projects. Residents and staff live in and work from a mobile camp. Assignments are for one week, and residents participate in a minimum of four assignments during their stay in the program. The campus segment involves both community and campus work projects as well as vocational assessments and GED preparation. These segments are also one week long, and residents must participate in at least five segments.

Research Methods

Guided by established standards of evaluation research, the following issues were examined.

Research Design

Research design is a necessary component in planning scientific inquiry. Environmental conditions often dictate which type of design is used. In our study, two programs were selected for evaluation because they allowed a Static Group Comparison research design (Campbell and Stanley, 1963).

The Static Group Comparison is a design in which one group experiences some treatment and is then compared to a group which has not experienced that treatment. In this study we compare the performance of youth who participated in the OK Community counseling program with the performance of youth who have not participated in the OK counseling program, and compare the youth who graduated from the ABR Conservation Camp with those who have not participated in the ABR program.

One problem inherent to the Static Group Comparison research design is that it gives no assurance that the groups were entirely alike before the experimental treatment. Any differences found by comparing these two groups, therefore, could be due to a preexisting condition instead of the experimental program. This potential selection bias is pervasive in all but the most rigorous experimental designs (Cook and Campbell, 1979:p. 53).

Another problem common to the Static Group Comparison research design is experimental mortality, in which differences between the groups at the end of an experiment exist as a result of the differential dropout of persons from one of the groups. The results of the experiment may be biased because the type of persons remaining in the group at the end of the test may be more a consequence of the differential dropout than the effect of the treatment itself.

Sensitivity to selection and mortality threats to the internal validity of our research design led us to discuss those issues with DOC personnel making placement decisions. Despite our rigid adherence to identical criteria for inclusion into either experimental or comparison groups, there is always a certain amount of subjective decision making on the part of those personnel assigning placement into the programs. This is inevitable and it is also unmeasurable. We are also sensitive to the fact that OK Community, unlike ABR, claims to provide campus-wide services at AMJI. We tested OK Community's impact only in Cottage Alpha. While some generalized effect due to these services is possible, it is unmeasurable. Further, DOC staff indicate that the amount of time OK Community counselors spend on campus-wide services is minimal. We acknowledge these and accept them as caveats to our research findings. This subjective decision making issue, however, does not preclude a fair and rigorous evaluation and cannot be used as an excuse for failing to evaluate treatment programs.

OK Community

The appropriate way to eliminate selection bias in a study is to randomly assign youth to an experimental or comparison group. In considering the

issue of a selection bias which might influence our results in the OK Community study, we discovered that bedspace considerations due to overcrowding at the facility often work to approximate a random sample. That is, some youth who would ordinarily be placed in the OK Community program must be placed elsewhere due to a lack of space in Cottage Alpha. Similarly, youth who would ordinarily be placed in other cottages are assigned to Cottage Alpha because of bedspace constraints. These alternative assignments, according to DOC officials, are not conducted according to any plan but rather as bedspace is available. This tends to, at the very least, ameliorate (and perhaps even negate) the threat of selection bias.

In terms of mortality or differential dropout between the experimental and comparison groups, there were no dropouts from either group so we are certain that no systematic bias exists in the dropout rates of youth assigned to either group.

ABR Conservation Camp

In the Conservation Camp program, specific criteria are set by DOC for inclusion into this program. As a comparison group we selected those youth who might ordinarily have been sent to the ABR Conservation Camp program except that their projected minimum release date did not coincide with the ten week (closed entry, closed exit) time frame of the Camp sessions. It is our opinion that this satisfactorily resolves the selection threat. Mortality, on the other hand, is more problematic in the ABR study. The Conservation Camp experienced quite a few dropouts in the seven sessions we studied. This is troublesome enough for us to qualify our finding regarding the performance of ABR.

Sample Selection

OK Community

A printout was obtained from Maricopa County Juvenile Court of the entire population of first-time commitments to Adobe Mountain Juvenile

Institution for the time period January 1, 1983, to January 31, 1985. We used this to select individuals for our population of serious offenders. Serious offenses are defined as homicide, sexual assault, aggravated assault, robbery, kidnapping, felony endangerment and sex abuse. Limiting the sample to first-time commitments controlled for the contaminating effect of exposure to several different treatment programs, since offenders who have had several commitments could have been exposed to numerous programs. It would have been impossible to isolate the effect of the OK Community program from all other programs' effects if we did not select first-time commitments.

We conducted two tests in the evaluation of the OK Community counseling program.

The first test was comprised of the population of youth who had a charge filed in court by the Maricopa County Attorney involving a serious crime against person. Our rationale for selecting this group was that OK Community claims to work best with the hardcore offender population. In addition to this criterion, a first-time offender had to be more than 14 years old but not older than 17.5 years. This allowed us a minimum six months time-at-risk to track a youth after his release from AMJI. We confined our sample to Maricopa County because of the availability and accessibility to both Juvenile Court and DOC records. A further requirement for our test was that the youth was not to be released to a residential or day support treatment facility, since this could theoretically involve more intense supervision and, consequently, less of an opportunity to recidivate.

Identical eligibility criteria were applied to the comparison group. Using the same printout from Maricopa County Juvenile Court we selected those youth who met these criteria but were not assigned to the OK Community counseling program at Cottage Alpha. The entire population of serious offenders was, therefore, represented in either an experimental or comparison group.

A second test in the OK Community evaluation was conducted to reflect the reality of the environment at the juvenile facility. Although OK Community prefers to work with more serious offenders, bedspace availability results in a mix of different types of offenders in Cottage Alpha. For that reason, we selected a more generalized population (including serious offenders) for a second test since it more accurately represented the environment at the treatment cottage. Data were collected from July 1, 1983, through December 31, 1984, from a list of Cottage Alpha residents provided by AMJI records.

The comparison group for the second test consisted of serious offenders and less serious offenders. Names were taken from the weekly admission summaries of AMJI and were representative of the other cottages in the institution. In addition, the comparison group was stratified by race and seriousness of offense. This ensured similar characteristics for both the experimental and comparison groups.

ABR Conservation Camp

Sample selection for the Conservation Camp study followed the same general guidelines as the OK Community studies.

Eligibility criteria for the experimental group consisted of the following requirements:

- the youth were first-time commitments to DOC;
- they were referred by AMJI;
- they came from Maricopa County;
- they were 15 years of age or older at the beginning of the session;
- they had spent a minimum of one and one-half months at AMJI, of which at least two weeks were spent in a treatment cottage;
- they were graduates of the first seven sessions of the Conservation program; and
- they were not paroled to a residential treatment facility after the Conservation program.

Participants' names were given to us by ABR staff and consisted of AMJI graduates of the program. A list of comparison youth was provided by AMJI. No Cottage Alpha residents were included in the ABR study. Again, Maricopa County youth were sampled because of the availability and accessibility to both Juvenile Court and DOC data.

The comparison group was selected using the same eligibility criteria as the ABR group with the revised requirement that they must have been incarcerated at least three and one-half months. This ensured that both groups would have spent a similar amount of time in an incarceration status, either at the Conservation Camp or AMJI. Parole release date of the comparison group had to fall during the middle weeks of a Conservation Camp session. Although these youth might ordinarily have been included in the Conservation Camp, they were not considered because of ABR's closed entrance, closed exit restrictions. Additionally, the comparison group was stratified by race.

Operationalization

Long-Term Indicators Of Success - OK Community And ABR

There are potentially many ways in which a program may succeed. We interviewed the directors of the OK Community and the Conservation Camp, along with other personnel from those agencies, and AMJI staff for their opinions about appropriate indicators of both long-term and short-term success. Incorporating the suggestions of involved parties into our decisions whenever possible, we chose parole status after six months time-at-risk as our long-term indicator (for a thorough discussion of recidivism as an indicator of success, see Maltz, 1984). The six month time frame was chosen because DOC uses six months as a minimum standard for giving youth an absolute discharge from parole. Parole status is defined as success if the youth was not sent back to AMJI for parole suspension or parole revocation, if the youth was not placed in a residential treatment program because of poor parole performance, or if the youth was not placed on parole absconder status in that six month time frame. Parole status is defined as failure if the youth had his parole

revoked within the first six months after release because of an alleged new offense or technical violations. Parole status is defined as partial failure if the youth's parole was suspended, if the youth was placed in a residential treatment program because of poor parole performance, or if the youth was placed on parole absconder status within the first six months on parole.

Short-Term Indicators Of Success

OK Community

Short-term indicators of success for OK Community were chosen which reflected the progress and behavior of youth while at AMJI. Ideally, there would be many such indicators of success. In reality, we had to eliminate several indicators due to lack of data or lack of standardization in the indicators. We determined that two indicators were defensible in terms of completeness of data, appropriateness of the indicator to the concept of institutional success, and standardization of the measurement of the indicator. These were educational progress while at the institution and incident reports filed for disciplinary action. Educational progress as measured by pre- and post-tests of math and reading skills were standardized for length of stay at the institution by subtracting the pre-test score from the post-test score and dividing the gain or loss in math or reading skills by the number of months spent in the cottage. These scores were then tested for significance. Incident reports of assaultive behavior or possession/consumption of illegal substances were standardized by dividing the number of incident reports generated during their stay in treatment cottages at AMJI by the number of months youth were incarcerated in those cottages.

ABR Conservation Camp

We could have operationalized two short-term indicators of success for ABR: reimbursement for work hours and a subjective assessment of success in the program as measured on the exit summary sheets for participants. However, these short-term indicators were applicable to and available for

the Conservation Camp juveniles only and could not be obtained for the comparison group. For that reason, we limited the ABR study to long-term indicators of success.

Analysis and Results

OK Community

Parole performance of experimental and comparison groups was examined through analysis of contingency tables. In addition to looking at levels of significance, a measure of the strength and direction of the association is also provided. The measure of association used to analyze participation in OK Community and parole performance is the gamma statistic. Gamma measures the strength and direction of the relationship between the two variables, recidivism and participation in OK Community. This statistic provides the proportional reduction in error we may expect when we predict one variable with prior knowledge of the other. The value of gamma may vary from 0 to + or - 1.00, and may be interpreted somewhat like a correlation coefficient of determination. In social science research, a gamma of .300 is considered evidence of a moderately strong relationship.

Table 1 compares parole performance of OK Community program participants and AMJI nonprogram youth.

TABLE 1

PAROLE PERFORMANCE BY PARTICIPATION IN THE OK COMMUNITY COUNSELING PROGRAM AT AMJI

General Population

	Nonprogram Youth		Program Youth	
	Percentage	Number	Percentage	Number
Failure	34.7	17	30.0	12
Partial Failure	12.2	6	27.5	11
Success	53.1	26	42.5	17
	100.0	49	100.0	40

chi-square = 3.340 gamma = -.074(1) p = .188

Serious Offenders

	Nonprogram Youth		Program Youth	
	Percentage	Number	Percentage	Number
Failure or Partial Failure	24.1	7	52.9	9
Success	75.9	22	47.1	8
	100.0	29	100.0	17

chi-square = 2.753 gamma = -.559(1) p = .097

Table 1 shows that the program has not had a statistically significant effect on the recidivism of its participants, either in the general population mix or with serious offenders (gamma = -.074, p = .188 for the general population; gamma = .559, p = .097 for serious offenders). While knowledge of a youth's participation in the program does not add much to our prediction of recidivism for the general population (7.4 percent), knowledge of a youth's participation in the program would improve our ability to predict parole performance of serious offenders by 55.9 percent. However, we would have to predict that participation in the program is likely to result in parole failure.

The effect of participation in the OK Community counseling program on institutional behavior (as operationalized by incident reports and educational progress) was tested with a *t* statistic (Andrews et al., 1981). T-test analyses are commonly used in social science research to determine whether the differences in average scores on a given variable for two different populations are statistically significant when independent random samples have been drawn from each population. These tests are particularly appropriate when the sample size is small. The *t* values are based on normal probabilities but are modified to adjust for the effects of small samples on the sampling distribution. A benchmark for achieving a level of significance is usually the probability of .05 or less (Wright, 1986), and we have chosen this as our standard. Table 2 compares institutional behavior of OK Community program participants and AMJI nonprogram youth based on incident reports of disciplinary action.

TABLE 2

T-TEST COMPARISONS OF AVERAGE INCIDENT REPORTS GENERATED PER MONTH BY AMJI COUNSELING PROGRAM AND NONPROGRAM YOUTH

	Program Youth		Nonprogram Youth		
	Incidents/ Month	Number Of Youth	Incidents/ Month	Number of Youth	Significance Levels
General Population	.33	36	.19	49	.342
Serious Offenders	.23	15	.14	28	.330

As noted in Table 2, none of the probabilities achieved a .05 level of significance (general population p=.342; serious offender p=.330). This led us to the conclusion that, at best, the OK Community counseling program has no statistically significant effect on the number of incident reports for either the general population of Cottage Alpha or a smaller population of serious offenders.

Table 3 compares the educational progress scores of participants and nonparticipants using math and reading improvements as the short-term indicators of institutional behavior.

TABLE 3

T-TEST COMPARISONS OF AVERAGE EDUCATIONAL PROGRESS SCORES IN MATH AND READING OF AMJI COUNSELING PROGRAM AND NONPROGRAM YOUTH (STANDARDIZED BY MONTH)

General Population

	Program Youth		Nonprogram Youth		
	Grade Levels/ Month	Number of Youth	Grade Levels/ Month	Number of Youth	Significance Levels
Math Progress	.04	33	.20	38	.279
Reading Progress	.09	33	.06	38	.798

Serious Offenders

	Program Youth		Nonprogram Youth		
	Grade Levels/ Month	Number of Youth	Grade Levels/ Month	Number of Youth	Significance Levels
Math Progress	-.13	13	.11	22	.397
Reading Progress	.03	13	.11	22	.606

Only in the general population comparison groups did program participants score higher in an educational progress category (reading) than their nonprogram counterparts (.09 grade levels per month and .06 grade levels per month, respectively). In the other three educational progress comparisons, nonprogram youth scored higher. However, as in the analysis of parole performance, the differences in average incident report and educational progress scores (math and reading) of program and nonprogram youth were not considered statistically significant.

There may be several explanations for the lack of effect of the OK Community counseling program on both long-term and short-term indicators of success. Table 4 documents the counseling services provided to Cottage Alpha residents per week. Although the average daily population in Cottage Alpha is approximately 36 to 38 residents and three full-time OK Community counselors are assigned to provide these services, program youth only received an average of slightly more than one hour of counseling services per week

TABLE 4

MEAN NUMBER OF DOCUMENTED COUNSELING SERVICES PROVIDED TO COTTAGE ALPHA RESIDENTS PER WEEK

Service Type	Serious Offenders Contacts Per Week	General Population Contacts Per Week
Individual Counseling	.39	.40
Group Counseling	.66	.53
Other Counseling Contacts	.14	.29
Total Counseling Contacts	1.19	1.22

OK Community monthly summary reports indicate that its staff spend only a small percentage of their time counseling youth. For the three months in 1984 for which data were available, OK Community counselors spent only 35 percent of their time providing individual and group counseling services to Cottage Alpha residents. Furthermore, during these three months OK Community assigned only two full-time counselors to this program, even though the contract calls for three full-time counselor positions. For the nine months in 1985 for which data were available (March through December), the three counselors assigned to the AMJI counseling program spent approximately 20 percent of their time providing individual and group counseling services to Cottage Alpha residents.

Additionally, excessive staff turnover and prolonged staff vacancies may be negatively impacting the delivery of counseling services by OK Community staff. The contract permits the service provider to transfer

staff from its various programs as it deems necessary. In 1984, one of three counseling positions for OK Community was vacant for at least nine months. Also, in that same year, the two positions that were filled had at least four staff changes. This problem may explain the limited amount of counseling provided to youth in the treatment program. The OK Community contract with DOC does not stipulate any minimum provision of counseling services. On the average, youth received slightly more than one hour of counseling related services per week. This combination of excessive staff turnover along with poor service delivery contributes to a highly unstable program environment and could be an explanation for the program's negative effect on participants' parole performance and institutional behavior.

ABR Conservation Camp

A contingency table analysis of the effect of the ABR Conservation Camp program on parole performance followed the same procedure. The results show a statistically significant effect on recidivism and a relationship that is relatively strong ($p = .025$ gamma $= .448$). We are, therefore, able to improve our prediction of parole performance by 44.8 percent once we know if a youth participated in the ABR program. On the basis of the analysis, we would predict that participation in the Conservation Camp program would reduce recidivism to a statistically significant degree. Table 5 shows the result of this analysis.

TABLE 5

COMPARISON OF PAROLE PERFORMANCE OF
ARIZONA BOYS RANCH CONSERVATION PROGRAM GRADUATES AND
YOUTH PAROLED DIRECTLY FROM ADOBE MOUNTAIN JUVENILE INSTITUTION

	AMJI Parolees		ABR Graduates	
	Percentage	Number	Percentage	Number
Failure	44.0	22	21.2	11
Partial Failure	16.0	8	13.5	7
Success	40.0	20	65.4	34
	100.0	50	100.0(1)	52

chi-square = 7.327 gamma = .448 p = .025

(1) Discrepancy due to rounding.

Of the ABR graduates, 65.4 percent successfully completed their first six months on parole, while only 40 percent of the comparison group of AMJI parolees did so.

Conclusions

We conducted program evaluations of two programs in DOC as examples of the types of evaluations that are necessary to make policy decisions about the provision of services by private contractors. These contracts represent considerable financial commitments on the part of DOC and should be monitored not only for compliance but should also be evaluated for effectiveness and quality of service.

The results of tests such as these provide valuable information in the determination of contract renewal or modification. It may be that OK Community could produce positive results by modifying its treatment programs, curtailing staff turnover, providing more structure to its counseling, etc.

ABR may similarly be able to improve its program. We only tested graduates of the Conservation Camp. The high number of dropouts from the experimental group may pose a mortality threat to internal validity of the

analysis and bias the results toward effectiveness of the program. Additionally, we were not able to measure the short-term success of the ABR program due to a lack of standardization of indicators. We suggest the information learned in this program evaluation points to ways to further test and perhaps enhance ABR's effectiveness also.

One important lesson learned in conducting the evaluations is that there is a definite need to be specific in the contract provisions about the types of goals each program expects to meet and how it plans to measure fulfillment of those goals. Indicators of success must be capable of being operationalized in order to be tested. Data must be collected on these indicators of success and must be readily accessible. Forms should be designed that provide all pertinent information. In contrast, we had to travel to several different locations to collect necessary information.

Once a process is in place, the time needed to evaluate programs decreases exponentially. Although Auditor General Staff had 1.25 employees working five months, most of that time was spent interviewing DOC, ABR and OK Community personnel to determine appropriate indicators of success, and then collecting data on those indicators. Indicators of what the programs are supposed to accomplish should have been included in the contracts and data on those indicators should have been routinely provided. If they had, evaluations could be done routinely and quickly. Information could be provided for policy recommendations and decisions made for continuation or termination of contracts. Policy decisions could also be made on how to modify programs and those modifications could then be tested for effectiveness. The key requirement is that a system has to be developed for evaluation and a commitment made to accept the role of evaluation in assessing the quality of programs competing for scarce resources.

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