

Office of the Auditor General
Preliminary Survey Summary

Prisoner Food Services
Department of Corrections

December 2015

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

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Doug A. Ringler, CPA, CIA
Auditor General

December 4, 2015

Ms. Heidi E. Washington, Director
Department of Corrections
Grandview Plaza Building
Lansing, Michigan

Dear Ms. Washington:

I am pleased to provide this preliminary survey summary of Prisoner Food Services, Department of Corrections (DOC). Although we identified significant areas of interest that would warrant the additional use of our audit resources, we have decided to terminate this performance audit because of DOC's replacement of its food service contractor and modification of its contract monitoring processes.

We appreciate the courtesy and cooperation extended to us during our preliminary survey. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

PRELIMINARY SURVEY SUMMARY

PRISONER FOOD SERVICES

RESULTS

Although our preliminary survey identified significant areas of interest, we decided to terminate this audit because the Department of Corrections (DOC) replaced its food service contractor and is modifying its contract monitoring processes. We intend to evaluate these changes in a future audit. As the procedures we employed did not constitute a performance audit, we will not issue an audit report and we do not express conclusions regarding the effectiveness or efficiency of DOC's prisoner food services.

FACTORS IMPACTING AUDIT TERMINATION

DOC privatized its prisoner food services on December 8, 2013. DOC experienced performance issues with Aramark Correctional Services, LLC (Aramark), and ended the contract in July 2015. DOC hired Trinity Services Group, Inc. (Trinity), effective July 14, 2015. The transition to Trinity in all DOC facilities was completed September 9, 2015. DOC did not plan to fully implement its new contract monitoring processes until October 2015, thereby limiting our ability to assess and test the strengths and weaknesses of those efforts.

OBSERVATIONS

Contract Monitoring

- DOC improved its on-site contract compliance reviews at the facilities over the life of the Aramark contract by assigning scores and identifying repeat violations.

Areas of potential risk for DOC's consideration:

- Contract monitors did not complete the review tool consistently. For example, some contract monitors listed only remaining outstanding violations, whereas other contract monitors listed the status of all originally identified violations.
- Equipment work orders were not always monitored to ensure that DOC facilities completed repairs in a timely manner. We identified work orders outstanding for up to 8 months.
- Based on our review of 7 facilities, Aramark did not correct violations at these 7 facilities by the end of the review quarter. The number of outstanding violations ranged from 1 to 27 per facility.
- Aramark received improved scores at only 55% of facilities between the first and third quarters of 2015 (see Exhibit #1).

- DOC contract monitors perform monthly on-site sanitation reviews. DOC improved the Trinity contract to focus on passing a revised monthly sanitation review, which includes assigning scores and identifying critical violations.

Areas of potential risk for DOC's consideration:

- Contract monitors did not always complete monthly reviews at all facilities from March 2014 through June 2015.
- Contract monitors did not always complete the review tool on site.
- We observed on-site noncompliance items that contract monitors did not identify on site, for example, expired food in coolers.

Service Level Agreements (SLAs)

- In an effort to establish performance criteria for select contract deliverables, DOC negotiated an SLA with both contractors. DOC acknowledged that its Aramark SLA lacked clearly defined and measurable criteria; it improved the SLA with Trinity.

Areas of potential risk for DOC's consideration:

- Data collected does not include all elements necessary to monitor the SLA. For example, the Trinity SLA states that meals cannot be delayed more than 10 minutes; however, the data collected did not consistently indicate the extent of the delay.
- SLA credits were not regularly assessed for Aramark's noncompliance. DOC forgave assessed SLA credits of \$110,000 for menu substitutions and contractor staff stop orders.
- DOC informed us that it did not plan to assess any Trinity SLA credits until November 2015.

Meal Counts and Contractor Billing

- DOC uses the MealTrac system to scan prisoner identification cards, to track meal activity, to summarize the facilities' meal counts, and to pay the contractor. DOC informed us that Aramark did not feel that the MealTrac counts were accurate and performed its own meal counts for billing DOC. DOC has worked with the Department of Technology, Management, and Budget (DTMB) to address and improve ongoing connectivity and slowness issues at the facilities.

Areas of potential risk for DOC's consideration:

- DOC does not have a system to track the number, type, and status of reported MealTrac issues.
- When DOC and Aramark could not agree on the accuracy of MealTrac counts, DOC did not have a process to validate the differences between Aramark's billed meal counts and MealTrac counts. DOC subsequently paid Aramark \$3.4 million for billed meal counts that exceeded MealTrac counts and, in some cases, also exceeded the facility census counts (see Exhibit #2).
- DOC informed us that both DOC and Trinity are separately conducting meal counts in an effort to determine the reliability of MealTrac counts.

Menu Substitutions and Meal Delays

- DOC uses an internal database to track menu substitutions and meal delays reported by the contractor and DOC facilities. In June 2014, DOC increased the amount of substitution data that it tracked to identify contract noncompliance.

Areas of potential risk for DOC's consideration:

- DOC did not ensure the accuracy and completeness of data within the database. For example, the data did not always identify the food items substituted or the reason for the substitution.
- DOC did not regularly assess SLA credits. We estimated that DOC could have assessed approximately \$3.1 million for Aramark's unapproved menu substitutions through June 13, 2015 (see Exhibit #3).

Contractor Incidents

- DOC uses an internal database to track facility-reported food service incidents, such as sanitation issues or the contractor not properly preparing prisoners' specialized dietary meals.

Areas of potential risk for DOC's consideration:

- DOC did not ensure the accuracy and completeness of data within the database. For example, data did not always identify which contract monitor was assigned to follow up a food service incident or the type of incident.
- DOC did not require the contract monitors to document follow-up to help ensure that DOC

appropriately addressed all facility-reported food service incidents.

- DOC is responsible for monitoring contractor staff training, monitoring contractor staffing level and vacancy fulfillment, conducting contractor staff background checks, investigating incidents related to contractor staff conduct, and issuing stop orders to deny contractor staff access to DOC facilities for violation of DOC policies. DOC improved its tracking of contractor staff conduct in DOC internal systems and revised definitions in the Trinity SLA for staffing level vacancies and staff conduct.

Areas of potential risk for DOC's consideration:

- DOC did not regularly assess SLA credits. We estimated that DOC could have assessed approximately \$157,000 for inappropriate Aramark staff conduct through August 2015.
- DOC had not yet developed a plan to monitor and validate the contractor's staffing levels.
- DOC did not validate Aramark's staffing levels during on-site visits.

BACKGROUND

Description: DOC is responsible for providing food service to approximately 43,100 prisoners under DOC's jurisdiction at 32 correctional facilities. DOC privatized its prisoner food service in December 2013. The contractor is responsible for preparing and serving prisoners three meals each day, as well as any required evening snacks and sack meals. The contractor is also responsible for providing one meal per shift for facility staff at no charge to the employee. The contractor prepares and serves approximately 3,111,000 prisoner meals and 25,000 staff meals each month (see Exhibit #4).

Responsibilities: DOC is responsible for administering the food service contract and uses contract monitors to determine the contractor's compliance with contract performance criteria. The contract monitors' primary responsibilities include performing on-site contract compliance and sanitation reviews of the food service operations at each facility, following up on corrective action for on-site violations identified, reviewing and approving menu substitutions, and ensuring that the contractor addresses any reported food service incidents. DOC is also responsible for maintaining the MealTrac system.

Expenditures:

	Food Service Costs		
	Actual Payments to Aramark 12/08/2013 - 08/31/2015	Estimated Payments to Trinity 07/14/2015 - 07/13/2018	State-Operated 10/01/2012 - 09/30/2013
Total payments	\$79,261,271	\$158,761,830	\$72,404,413
Days paid	631	1,095	365
Average daily rate	\$ 125,612	\$ 144,988	\$ 198,368

In addition, DOC expended approximately \$2.1 million for contract monitoring from December 8, 2013 through August 2015.

Employees: As of August 31, 2015, DOC had 7 full-time employees and 2 employees who dedicate a portion of their time to administer and monitor food service contract compliance.

SCOPE

Our preliminary survey generally covered the period December 8, 2013 through August 31, 2015 and included a limited review of the following significant DOC contract monitoring activities:

- Contractor payment procedures.
- On-site contract compliance and sanitation review procedures.
- Menu substitution monitoring procedures.
- Food service incident monitoring procedures.
- Contractor staff incident monitoring procedures.

PURPOSE

Within a performance audit, we design the preliminary survey to obtain an understanding of the core activities within an entity or a program and to identify potential program improvements and/or deficiencies that could impair management's ability to conduct its operations in an effective and efficient manner.

Preliminary survey procedures are limited in nature and should not be considered a completed performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our preliminary survey procedures would not necessarily disclose the presence or absence of any material conditions and/or reportable conditions. Given that the procedures we employed did not constitute a performance audit, we will not issue a performance audit report and we do not express conclusions regarding the effectiveness or efficiency of prisoner food services.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit #1

PRISONER FOOD SERVICES
Department of Corrections

Quarterly Contract Compliance Review Results
Fiscal Year 2015

Total contract compliance reviews completed 98

	<u>Lowest Score</u>	<u>Highest Score</u>	<u>Average Score</u>
First quarter	63%	98%	84%
Second quarter	66%	96%	84%
Third quarter	78%	97%	87%

Quarter-to-Quarter Comparisons

First-to-Second Quarter

Improved	18	47%
Not improved	20	53%

Second-to-Third Quarter

Improved	18	62%
Not improved	11	38%

First-to-Third Quarter

Improved	17	55%
Not improved	14	45%

Source: The Office of the Auditor General prepared this exhibit using data provided by DOC.

PRISONER FOOD SERVICES
Department of Corrections

Payments to Original Contractor
December 8, 2013 Through August 31, 2015

Payments based on the number of meals served in MealTrac	\$ 75,218,124
Miscellaneous adjustments (start-up inventory and contractual increase in price per prisoner meal)	813,822
Additional payments to adjust to contractor's meal counts through February 18, 2015	3,429,324
DOC assessed and collected SLA credit for menu substitutions *	<u>(200,000)</u>
Total	<u>\$ 79,261,271</u>

* DOC written warning and assessed SLA credits forgiven by DOC and DTMB not included.

Source: The Office of the Auditor General prepared this exhibit using Michigan Administrative Information Network (MAIN) expenditure data and coding provided by DOC.

PRISONER FOOD SERVICES
Department of Corrections

Menu Substitutions and SLA Credits
December 8, 2013 Through June 13, 2015

Total menu substitutions*	6,081	
Total days from December 8, 2013 through June 13, 2015	552	
Estimated Statewide total meals** for 552 days at 32 facilities	52,992	
Substitutions percentage of Statewide total meals for 552 days at 32 facilities	12%	
Substitutions reported by original contractor	1,995	33%
Substitutions identified by DOC	4,086	67%
Total approved menu substitutions	2,286	38%
Total unapproved menu substitutions	3,795	62%
OAG-calculated SLA credit at \$500 per 3,795 unapproved substitution	\$ 1,897,500	
OAG-calculated SLA credit at \$250 per 6,081 inadequate meal quantities	1,520,250	
Total assessments allowable per contract	<u>\$ 3,417,750</u>	
Assessed:		
DOC written warning (no SLA credit assessed)	(58,500)	
DOC assessed SLA credit (forgiven)	(98,000)	
DOC assessed and collected SLA credit	<u>(200,000)</u>	
OAG-estimated SLA credits not assessed	<u>\$ 3,061,250</u>	

* Each menu substitution is equal to one meal (breakfast, lunch, or dinner).

** Meal equals breakfast, lunch, or dinner (not meals per prisoner).

Source: The Office of the Auditor General (OAG) prepared this exhibit using menu substitution data and SLA credit support provided by DOC.

PRISONER FOOD SERVICES
DEPARTMENT OF CORRECTIONS

Meals Served by Meal and Facility
January 2015

Correctional Facilities	Prisoner Meals Served			
	Breakfast	Lunch	Dinner	Total
Alger Maximum	18,529	26,627	25,476	70,632
Baraga Maximum	22,408	26,784	26,487	75,679
Bellamy Creek	35,260	50,507	50,477	136,244
Carson City	37,831	58,486	59,781	156,098
Central Michigan	32,142	61,930	63,999	158,071
Charles G. Egeler Reception and Guidance Center	31,758	37,070	37,296	106,124
Chippewa	31,204	54,757	55,569	141,530
Cooper Street	20,337	44,075	46,597	111,009
Detroit Reentry Center	16,858	37,613	24,149	78,620
Earnest C. Brooks	18,960	34,014	33,768	86,742
G. Robert Cotton	26,471	45,484	47,175	119,130
Gus Harrison	39,147	63,569	64,456	167,172
Ionia Maximum	15,745	19,062	18,620	53,427
Kinross	19,692	51,538	51,015	122,245
Lakeland	20,155	38,027	37,883	96,065
Macomb	23,093	37,444	36,927	97,464
Marquette Branch Prison	21,320	30,412	29,927	81,659
Maxey-Woodland Center	7,268	14,435	9,629	31,332
Michigan Reformatory	24,396	34,944	35,073	94,413
Muskegon	16,847	33,926	32,898	83,671
Newberry	17,884	31,301	31,642	80,827
Oaks	19,720	30,517	30,944	81,181
Ojibway	18,655	31,651	31,356	81,662
Parnall	24,933	42,747	44,196	111,876
Pugsley	20,644	36,498	36,823	93,965
Richard A. Handlon	18,725	33,479	31,647	83,851
Saginaw	22,987	38,257	40,269	101,513
Special Alternative Incarceration	11,002	10,936	10,974	32,912
Special Alternative Incarceration (Women's)	736	721	725	2,182
St. Louis	24,657	32,947	33,023	90,627
Thumb	20,479	33,334	29,944	83,757
West Shoreline	16,524	34,362	34,484	85,370
Women's Huron Valley	22,080	45,956	45,558	113,594
Total	<u>718,447</u>	<u>1,203,410</u>	<u>1,188,787</u>	<u>3,110,644</u>

* The cost of staff meals was factored into the price per prisoner meal.

Source: The Office of the Auditor General prepared this exhibit using MealTrac data provided by DOC.

UNAUDITED
Exhibit #4

Staff Meals Served*				Total Meals Served
Lunch	Dinner	Midnight	Total	
343	498	620	1,461	72,093
392	345	126	863	76,542
701	584	324	1,609	137,853
344	396	2	742	156,840
392	125		517	158,588
452	249	383	1,084	107,208
489	948	53	1,490	143,020
112	126	100	338	111,347
43	81	616	740	79,360
137	239	7	383	87,125
33	183	5	221	119,351
363	601	70	1,034	168,206
200	318		518	53,945
1,161	1,106	9	2,276	124,521
154	268	247	669	96,734
221	557	158	936	98,400
464	304	138	906	82,565
147	300	6	453	31,785
229	178	236	643	95,056
154	145	55	354	84,025
329	209	210	748	81,575
446	754	280	1,480	82,661
391	216	300	907	82,569
			0	111,876
180	132	39	351	94,316
23	69		92	83,943
72	175	203	450	101,963
161	85		246	33,158
2	3		5	2,187
174	428	33	635	91,262
495	659	557	1,711	85,468
299	343		642	86,012
198	223		421	114,015
<u>9,301</u>	<u>10,847</u>	<u>4,777</u>	<u>24,925</u>	<u>3,135,569</u>

