

Office of the Auditor General
Performance Audit Report

Prisoner Food Services
Department of Corrections

October 2017

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

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Article IV, Section 53 of the Michigan Constitution



Performance Audit

Prisoner Food Services

Department of Corrections (DOC)

Report Number:
471-0621-17

Released:
October 2017

DOC is responsible for providing food services to approximately 41,600 prisoners at its 31 correctional facilities. DOC privatized its prisoner food services operations in December 2013 and has used Trinity Services Group, Inc. (Trinity), as its sole provider since September 2015. On a daily basis, Trinity is responsible for preparing and serving three prisoner meals, any required sack meals and evening snacks, and one staff meal per shift, providing approximately 3,158,000 prisoner meals and 38,100 staff meals each month. DOC paid Trinity \$55.5 million and expended an additional \$1.1 million for food services contract administration during fiscal year 2016.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of DOC's monitoring of prisoner food services.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
DOC's contract monitoring procedures could be clarified to ensure the accuracy of inspections and consistent application of the monitoring criteria (Finding #1).		X	Agrees

Audit Objective			Conclusion
Objective #2: To assess the effectiveness of DOC's efforts to assess and collect service credits for contract violations.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	

Audit Objective			Conclusion
Objective #3: To assess the sufficiency of DOC's efforts to provide meals that meet federal dietary recommendations.			Sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	

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Doug A. Ringler, CPA, CIA
Auditor General

October 25, 2017

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

Dear Ms. Washington:

This is our performance audit report on Prisoner Food Services, Department of Corrections.

We organize our findings and observations by audit objective. Your agency provided a preliminary response to the recommendation at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days of the date above to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

MONITORING PRISONER FOOD SERVICES

BACKGROUND

The Department of Corrections (DOC) contracted with Trinity Services Group, Inc. (Trinity), to provide food services at all of DOC's 31 correctional facilities. DOC's Procurement, Monitoring, and Compliance Division is responsible for ensuring compliance with the performance criteria of the food services contract. DOC's six contract monitors conduct inspections of the food services operations at all 39 kitchens, follow up corrective action for identified violations, and review and approve menu substitutions.

From July 2015 through September 2016, DOC paid Trinity based on actual meal counts. However, because of discrepancies between actual meal counts according to the contractor and those determined by DOC's MealTrac system, DOC amended the contract, beginning in October 2016, to use DOC's daily prisoner census and a decreased price per meal as the basis for calculating the food services payments to Trinity. Also, the amendment stipulated that the change settled all payment discrepancies, including service credits assessed, prior to October 1, 2016.

AUDIT OBJECTIVE

To assess the effectiveness* of DOC's monitoring of prisoner food services.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- DOC performed 100% of the 38 monthly on-site inspections that we selected for review.
- DOC's on-site inspections identified noncompliance with the food service contract, resulting in assessed service credits totaling \$2.9 million from November 2015 through April 2017 (see Exhibit #1).
- DOC reviewed and reconciled 99% of the \$1.9 million of Trinity equipment purchases.
- DOC reconciled Trinity's monthly meal count billings with the respective facility's meal counts (before switching to the prisoner census payment structure).
- Reportable condition* related to the need to clarify the contract monitoring procedures.

* See glossary at end of report for definition.

FINDING #1

Contract monitoring procedures need clarification.

DOC's contract monitoring procedures could be clarified to help ensure the accuracy of inspections and consistent application of the monitoring criteria at all correctional facilities.

DOC contract monitors conduct monthly on-site inspections to ensure that the food services contractor provides a nutritious diet that is prepared and served under sanitary conditions. Also, DOC developed inspection tools to measure contractor compliance and to help ensure the health, safety, and security of prisoners and staff.

DOC conducted 78 sanitation inspections and 51 contract monitoring inspections during March and April 2017. Our observation of 4 of these sanitation inspections and 3 of these contract monitoring inspections at 7 correctional facilities noted:

- a. Contract monitors did not always accurately assess all items on the inspection tool. For example:
 - One contract monitor indicated compliance with the sample meal display; however, we noted that the sample meal was not displayed.
 - For one facility, the completed inspection tools from February 2016 through March 2017 indicated compliance regarding the grease disposal bin; however, the food services manager informed us that the bin had been removed from the kitchen area prior to February 2016.
 - One contract monitor discovered noncompliance with the caustic substance inventory that should have been identified on at least the previous three inspections; however, those inspections indicated compliance.
 - Four contract monitors indicated automatic compliance with the cleanliness of the food delivery trucks, although trucks were not present at the time of the inspection.
 - Four contract monitors indicated automatic compliance with the criteria that food was obtained from an approved food source because DOC did not have a process to identify approved food sources.
- b. Contract monitors did not consistently apply monitoring criteria. For example:
 - One contract monitor verified staffing levels to the posted staffing schedule; however, another contract monitor obtained verbal acknowledgement from the food services directors that staffing levels were sufficient.

- One contract monitor observed prisoners operating food services equipment, reviewed the prisoners' training records specific to that equipment, and noted that one of the prisoners had not received the necessary training, which reduced the inspection score. Two other contract monitors reviewed prisoner food services training records but did not ensure that the prisoners received training specific to any particular food services equipment.
- One contract monitor did not prepare the required corrective action plan when a consecutive noncompliant item was noted.

We noted that some of the monitoring procedures did not provide detailed criteria for measuring compliance, which allowed for interpretation by the contract monitors. In addition, the inspection tools required the contract monitor to indicate either "compliant" or "not compliant" and did not provide a "not applicable" option.

RECOMMENDATION

We recommend that DOC clarify contract monitoring procedures and consider updating the inspection tools.

AGENCY PRELIMINARY RESPONSE

DOC provided us with the following response:

The Department agrees and will comply.

The Procurement, Monitoring and Compliance Division (PMCD) use several tools in their inspections at MDOC food service locations. A contract monitoring manual is provided to each monitor detailing instructions and information on how to use the various inspection tools, relevant policy and procedure, and a detailed job description.

Recently, PMCD has clarified instructions on how the monitor completes the HACCP (sanitation) Review form to ensure it is being consistently applied at each location. Additionally, the criteria utilized for the review has been enhanced to better identify aspects of compliance and/or non-compliance. At monthly staff meetings, the Contract Manager reviews the need for consistency and periodically joins the monitor on their site visits.

PMCD will consider revising inspection tools for review and approval of leadership.

ASSESSING AND COLLECTING SERVICE CREDITS

BACKGROUND

The Department of Technology, Management, and Budget, in consultation with DOC, negotiated a service level agreement* (SLA) with Trinity that established performance criteria for select contract deliverables. DOC summarizes information from prison and contractor staff and the monthly on-site contract monitoring, sanitation, and therapeutic inspections; measures it against the performance criteria; and, if applicable, assesses a service credit against the amount owed to Trinity. DOC assessed service credits totaling \$2.9 million from November 2015 through April 2017.

AUDIT OBJECTIVE

To assess the effectiveness of DOC's efforts to assess and collect service credits for contract violations.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- DOC accurately calculated, assessed, and applied service credits to its Trinity payments for services provided from November 2015 through April 2017. We determined that DOC did not assess service credits totaling \$2,000, which were insignificant to the total food services contract.

* See glossary at end of report for definition.

PROVIDING MEALS THAT MEET FEDERAL DIETARY RECOMMENDATIONS

BACKGROUND

DOC adopted a 28-day men's and women's Statewide standard menu for correctional facilities based on Dietary Reference Intake* (DRI) recommendations. These menus are designed to provide male prisoners with an average of 2,600 calories per day and female prisoners with an average of 2,200 calories per day. Trinity is responsible for implementing the menu, ensuring that prisoners receive three meals each day, and supervising the prisoner workers who prepare and serve the meals.

AUDIT OBJECTIVE

To assess the sufficiency of DOC's efforts to provide meals that meet federal dietary recommendations.

CONCLUSION

Sufficient.

FACTORS IMPACTING CONCLUSION

- DOC approved men's and women's Statewide standard menus designed to meet the daily DRI recommendations.
- DOC's Statewide standard menus (both men's and women's) for the 3 days reviewed generally met or exceeded the daily DRI recommendations for the 15 key nutritional values.

* See glossary at end of report for definition.

SUPPLEMENTAL INFORMATION

PRISONER FOOD SERVICES
Department of Corrections

Service Credit Assessment Summary
November 15, 2015 Through April 30, 2017

Description	Contract Year -				
	August	September	October	November	December
Substitutions				\$ 1,250	\$ 28,500
Delays					15,000
Sanitation/HACCP - Score					9,000
Sanitation/HACCP - Critical repeat					
Safety					
Staffing vacancies					
Staff conduct					
Prisoner complaints/grievances					
Therapeutic					
Total				\$ 1,250	\$ 52,500

Description	Contract Year -				
	August	September	October	November	December
Substitutions	\$ 92,750	\$ 79,500	\$ 54,250	\$ 61,000	\$ 73,250
Delays	25,000	36,000	22,000	29,000	43,000
Sanitation/HACCP - Score	20,000	20,000	20,000	9,000	14,000
Sanitation/HACCP - Critical repeat	20,000	25,000	25,000	12,500	(10,000)
Safety					
Staffing vacancies	6,300	21,000	63,700	27,600	23,000
Staff conduct					
Prisoner complaints/grievances	7,900	7,700	6,700	3,900	6,300
Therapeutic	4,000	2,000	7,000	3,000	2,000
Total	\$ 175,950	\$ 191,200	\$ 198,650	\$ 146,000	\$ 151,550

Total service credits assessed from November 2015 through April 2017:

¹Service credit assessments will typically increase throughout the year as some service credits are assessed based on previous instances of noncompliance within a category during a measurement period.

Source: The OAG prepared this exhibit using SLA data provided by DOC.

November 15, 2015 through July 31, 2016¹

January	February	March	April	May	June	July	Total
\$ 31,500	\$ 23,750	\$ 136,250	\$ 39,250	\$ 97,750	\$ 95,500	\$ 91,250	\$ 545,000
16,000	23,000	38,000	10,000	29,000	32,000	39,000	202,000
	5,000	2,500	5,000	6,500	2,500	26,000	56,500
		7,500	5,000	12,500	10,000	22,500	57,500
		41,800	37,600	40,800	36,800	29,400	186,400
							0
	12,700	3,800	5,700	15,600	10,700	9,700	58,200
	2,000	2,000	3,000	3,000	2,000	1,000	13,000
<u>\$ 47,500</u>	<u>\$ 66,450</u>	<u>\$ 231,850</u>	<u>\$ 105,550</u>	<u>\$ 205,150</u>	<u>\$ 189,500</u>	<u>\$ 218,850</u>	<u>\$ 1,118,600</u>

August 1, 2016 through July 31, 2017¹

January	February	March	April	May	June	July	Total
\$ 120,750	\$ 116,000	\$ 69,000	\$ 64,000				\$ 730,500
64,000	50,000	28,000	53,000				350,000
	10,000	11,500	24,500				129,000
32,500	27,500	32,500	42,500				207,500
							0
18,600	13,600	30,600	34,300				238,700
							0
6,100	2,500	2,600	3,800				47,500
2,000	8,000	5,000	8,000				41,000
<u>\$ 243,950</u>	<u>\$ 227,600</u>	<u>\$ 179,200</u>	<u>\$ 230,100</u>				<u>\$ 1,744,200</u>
							<u>\$ 2,862,800</u>

Figures not available
at the time of our review.

PRISONER FOOD SERVICES
Department of Corrections

Prisoner Food Services Cost Summary
October 1, 2012 Through April 30, 2017

Cost Category	Trinity Contract	Aramark Contract	State-Operated
	7/15/2015 - 4/30/2017	12/08/2013 - 08/31/2015	10/01/2012 - 09/30/2013
Payments to contractor	\$ 95,128,706	\$ 79,261,271	\$
State-operated costs			72,404,413
Costs to administer the contract ¹	1,855,981	2,114,494	
Service level contract costs assessed	(2,862,800)		
Total ²	<u>\$ 94,121,887</u>	<u>\$ 81,375,765</u>	<u>\$ 72,404,413</u>
Total annualized cost	\$ 52,369,648	\$ 47,071,560	\$ 72,404,413
Days paid	656	631	365
Average daily rate	\$ 143,478	\$ 128,963	\$ 198,368
Average prisoner census	42,642	44,001	43,867
Average cost per prisoner per day ³	\$ 3.36	\$ 2.93	\$ 4.52

¹Because of the overlap of some costs between Aramark and Trinity between July 15, 2015 and August 31, 2015, the costs to administer the contract within Trinity exclude expenses for that time period.

²Total does not include prisoner wages.

³Average cost per prisoner per day is based on average prisoner census.

Source: The OAG prepared this exhibit using Michigan Administrative Information Network (MAIN) data, Data Collection and Distribution System (DCDS) data, and DOC prisoner census data.

DESCRIPTION

DOC is responsible for providing food services to approximately 41,600 prisoners at its 31 correctional facilities. DOC first privatized its prisoner food services operations in December 2013 and has used Trinity as its sole provider since September 2015. On a daily basis, Trinity is responsible for preparing and serving three prisoner meals, any required sack meals and evening snacks, and one staff meal per shift, providing approximately 3,158,000 prisoner meals and 38,100 staff meals each month.

During fiscal year 2016, DOC paid Trinity \$55.5 million and expended an additional \$1.1 million for food services contract administration. From July 15, 2015 through April 30, 2017, DOC's prisoner food services costs averaged \$3.36 per prisoner per day (see Exhibit #2).

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes related to DOC prisoner food services. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

We did not include within the scope of this audit the evaluation of food quality, including the quality of stored or on-site food, or Trinity's staffing and employment practices.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency response, and quality assurance, generally covered July 2015 through April 2017.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of prisoner food services operations and activities in order to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed the food services contract monitoring manager and staff regarding their functions and responsibilities.
- Reviewed policies, procedures, the food services contract, and any contract change notices.
- Reviewed food services expenditures.
- Obtained an understanding of DOC's processes related to:
 - Performing Law Enforcement Information Network (LEIN) checks and background checks of Trinity employees.
 - Tracking Trinity employees banned from entering DOC facilities.
 - Calculating and assessing service credits.
 - Performing inspections and assessing compliance.

* See glossary at end of report for definition.

- Monitoring equipment purchases.
- Developing the Statewide standard menu.
- Verifying contractor billing.

OBJECTIVE #1

To assess the effectiveness of DOC's monitoring of prisoner food services.

To accomplish this objective, we:

- Reviewed contract monitors' monthly on-site inspections of contractor compliance for selected months from November 2015 through April 2017.
- Shadowed four contract monitors during seven on-site inspections to determine consistency in application of inspection criteria.
- Reviewed the corrective action plans completed during March and April 2017 for sites where we shadowed the contract monitors.
- Analyzed the contract monitor inspection tools to determine that they measured applicable criteria.
- Analyzed food services equipment fund expenditures for proper approval and amount.
- Reviewed DOC's reconciliations of meal counts billed by Trinity for 2 randomly selected months during fiscal year 2016. We randomly selected our sample to eliminate bias and enable us to project the results to the entire population.
- Reviewed the reasonableness of the October 1, 2016 cost settlement with Trinity.

OBJECTIVE #2

To assess the effectiveness of DOC's efforts to assess and collect service credits for contract violations.

To accomplish this objective, we:

- Reviewed DOC's evaluation of various SLA performance criteria to determine if service credits were assessed. We judgmentally selected our sample to represent different facilities; therefore, we could not project our results to the entire population.
- Reviewed the accuracy of the assessed SLA service credit amounts.

- Reviewed Trinity billings and the related payments for applicable service credits.
- Reviewed all food services grievances from January 2016 through February 2017 for one facility to identify grievances that could have resulted in a service credit. For audit efficiency purposes, we judgmentally selected the one facility where other OAG staff were auditing; therefore, we could not project our results to the entire population.

OBJECTIVE #3

To assess the sufficiency of DOC's efforts to provide meals that meet federal dietary recommendations.

To accomplish this objective, we reviewed 3 days of the 28-day Statewide standard menus for both men and women and compared the nutritional values to the daily DRI recommendations. We randomly selected our sample to eliminate bias and enable us to project the results to the entire population.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions* or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 1 finding and 1 corresponding recommendation. DOC's preliminary response indicates that it agrees with the recommendation.

The agency preliminary response that follows the recommendation in our report was taken from the agency's written comments and oral discussion at the end of our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

* See glossary at end of report for definition.

**PRIOR AUDIT
FOLLOW-UP**

Following is the status of the reported findings from our June 2008 performance audit of Prisoner Food Services, Department of Corrections (471-0621-07L):

<u>Prior Audit Finding Number</u>	<u>Topic Area</u>	<u>Current Status</u>	<u>Current Finding Number</u>
1	Cost Savings Measures	Complied	Not applicable
2	Monitoring of Excess Food Production	No longer applicable.	
3	Best Price for Food Commodity Purchases	No longer applicable.	
4	Food Inventory Safeguards	No longer applicable.	
5	Classification of Prisoner Food Services Wages	Not in scope of this audit.	

**SUPPLEMENTAL
INFORMATION**

Our audit report includes supplemental information presented as Exhibits #1 and #2. Our audit was not directed toward expressing a conclusion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

Data Collection and Distribution System (DCDS)	The State's client/server system that records, allocates, and distributes payroll costs within the accounting system.
Dietary Reference Intake (DRI)	The general term for a set of reference values, which vary by age and gender, used to plan and assess nutrient intakes of healthy people issued by the Food and Nutrition Board of the National Academies of Sciences, Engineering, and Medicine.
DOC	Department of Corrections.
effectiveness	Success in achieving mission and goals.
HACCP	Hazardous Analysis Critical Control Points.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
Michigan Administrative Information Network (MAIN)	The State's automated administrative management system that supports accounting, purchasing, and other financial management activities.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.

service level agreement (SLA)

The level of service the contractor is to provide.

Trinity

Trinity Services Group, Inc.



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