

Office of the Auditor General  
Follow-Up Report on Prior Audit Recommendations

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**Facility Closures and Consolidations**  
Department of Corrections

December 2018

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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*

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Office of the Auditor General

## Report Summary

### *Follow-Up Report*

### *Facility Closures and Consolidations*

### *Department of Corrections (DOC)*

**Report Number:**  
471-0375-11F

**Released:**  
December 2018

We conducted this follow-up to determine whether DOC had taken appropriate corrective measures in response to the reportable condition noted in our October 2012 audit report.

<b>Prior Audit Information</b>	<b>Follow-Up Results</b>		
	<b>Conclusion</b>	<b>Finding</b>	<b>Agency Preliminary Response</b>
Finding #1 - Reportable condition  Documentation needed to support basis for facility closures and consolidations.  Agency partially agreed.	Partially complied	Reportable condition still exists. See <u>Finding #1</u> .	Disagrees

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**Doug A. Ringler, CPA, CIA**  
Auditor General

December 28, 2018

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

Dear Ms. Washington:

This is our follow-up report on the reportable condition and corresponding recommendation reported in the performance audit of Facility Closures and Consolidations, Department of Corrections. That audit report was issued and distributed in October 2012. Additional copies are available on request or at [audgen.michigan.gov](http://audgen.michigan.gov).

Your agency provided the preliminary response to the follow-up recommendation included in this report. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to 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 our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive, flowing style.

Doug Ringler  
Auditor General



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# INTRODUCTION, PURPOSE OF FOLLOW-UP, AND AGENCY DESCRIPTION

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## INTRODUCTION

This report contains the results of our follow-up of the reportable condition\* (Finding #1) and corresponding recommendation reported in our performance audit\* of Facility Closures and Consolidations, Department of Corrections (DOC), issued in October 2012.

## PURPOSE OF FOLLOW-UP

To determine whether DOC had taken appropriate corrective measures to address our corresponding recommendation.

## AGENCY DESCRIPTION

DOC's mission\* is to create a safer Michigan by holding offenders accountable while promoting their success.

DOC's Correctional Facilities Administration is responsible for the State's correctional facilities, which are divided into two regions. Each region has an assistant deputy director who oversees the wardens, and each warden oversees the operations of his/her assigned facility. The Correctional Facilities Administration is also responsible for prisoner transportation, food service, and healthcare services.

DOC's Budget and Operations Administration is responsible for providing all internal organizational support within DOC, including research and planning, human resources, fiscal management, legal affairs, and training.

As of December 31, 2015, DOC housed 42,628 prisoners in 33 correctional facilities and, in fiscal year 2016, expended \$1.48 billion for prisoner-related costs. From December 31, 2015 through September 30, 2018, DOC's prisoner population decreased by 3,882 prisoners. DOC closed Pugsley Correctional Facility in September 2016, West Shoreline Correctional Facility in March 2018, and Ojibway Correctional Facility in December 2018. In fiscal year 2017, DOC expended \$1.47 billion for prisoner-related costs.

\* See glossary at end of report for definition.

# **PRIOR AUDIT FINDING AND RECOMMENDATION; AGENCY PLAN TO COMPLY; AND FOLLOW-UP CONCLUSION, RECOMMENDATION, AND AGENCY PRELIMINARY RESPONSE**

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## **FINDING #1**

Audit Finding Classification: Reportable condition.

Summary of the October 2012 Finding:

DOC did not evaluate costs for all facilities, including some that were closed or consolidated, and did not retain sufficient documentation to support its consideration of any other factors when determining which correctional facilities to close or consolidate.

Recommendation Reported in October 2012:

We recommended that DOC maintain sufficient documentation to support its basis for identifying and recommending correctional facilities and camps for closure or consolidation.

## **AGENCY PLAN TO COMPLY\***

On January 9, 2013, DOC indicated that it will maintain sufficient documentation, as DOC deems necessary, if DOC develops recommendations for facility closures and consolidations in the future.

## **FOLLOW-UP CONCLUSION**

Partially complied. A reportable condition still exists.

DOC's appropriations acts for fiscal years 2018 and 2019 (Article V, Part 2, Section 944, Public Act 107 of 2017 and Article V, Part 2, Section 944, Public Act 207 of 2018) required that when planning to close a correctional facility, DOC shall fully consider the potential economic impact of the prison closure on the community where the facility is located and, when weighing all factors related to the closure of a facility, also consider the impact on the local community where the facility to be closed is located.

Our follow-up noted that, for the fiscal year 2018 and 2019 planned closures, DOC gathered information related to:

- a. Age.
- b. Cost to operate.
- c. Need for additional improvements or renovations.
- d. Operational needs and custody levels.
- e. Capacity and current prisoner count.
- f. Proximity to other facilities.
- g. County unemployment rates.

\* See glossary at end of report for definition.

We also noted that, for the fiscal year 2019 planned closure, DOC gathered information related to:

- a. Economic data for the State, by county, including:
  - Number of high school, community college, adult education, and career technical graduates.
  - Number of individuals with disabilities.
  - Number of assistance program recipients.
  - Per capita personal income.
- b. Economic data for the Upper Peninsula, by county, including:
  - Population, labor force, and employment trends.
  - Number of unemployed workers and unemployment rates.
  - Top five employers.

DOC represented to us that it fully considered the potential economic impacts. However, DOC could have better established how the information reviewed impacted its recommendations for closure.

Also, although we acknowledge that the appropriations acts did not require a written analysis of the economic impact, we believe that doing so is a good business practice to help foster transparency. In addition, Section 18.1285 of the *Michigan Compiled Laws* (Section 285, Public Act 431 of 1984, as amended) requires the head of each State agency to maintain records which are necessary for all of the following:

- (a) The continued effective operation of the State agency.
- (b) An adequate and proper recording of the activities of the State agency.
- (c) The protection of the legal rights of the State.

**FOLLOW-UP  
RECOMMENDATION**

We recommend that DOC improve its documentation by identifying how the data gathered, including the potential economic impact, contributed to its facility closure recommendations.

**FOLLOW-UP  
AGENCY  
PRELIMINARY  
RESPONSE**

DOC provided us with the following response:

*The Michigan Department of Corrections disagrees with this follow-up finding.*

*The Department provided significant data and information about the consideration process that occurred when selecting the location of prison closures. The original audit conducted in 2012 recommended that "DOC maintain sufficient documentation to support its "basis" for identifying and recommending correctional facilities and camps for closure or consolidation" (emphasis added). In this follow-up, DOC provided hundreds of pages of documentation that formed the basis for identifying the closures of the West Shoreline and Ojibway Correctional Facilities. In fact, the auditor acknowledges that DOC provided documentation covering 9 separate factors that were considered by the Department as part of this process and highlights 7 pieces of data that were considered that specifically dealt with the economic impact of the closure of the Ojibway Correctional Facility. The Department has fully satisfied the requirement to provide documentation that supports its "basis" for identifying and recommending the closure of these facilities as reported in the audit conducted in 2012.*

*The Auditor General posits that a reportable condition remains because the Department did not specifically document how the information collected during this process was used as part of its facility closure recommendations. The Department created a "Talking Points" document that directly compared facilities for each closure, as has been the longstanding practice of DOC. DOC also provided consistent, contemporaneous explanations of why these sites were selected for closure to employees, legislators, the local communities, and media when the sites were selected. While the talking points documents ultimately focused on the facilities selected for closure, they provide significant justification for the decisions in light of the Department's future operational needs, the impact of closure on the Department and local community, as well as various other factors. These documents, along with a document produced prior to the selection of the West Shoreline and the Ojibway Correctional Facilities which directly compared facilities, as well as political, operational, and economic considerations support and record the decision-making process of the Department, are maintained within the Department to ensure the effective future operation of DOC and protect the legal rights of the State.*

*DOC is confident it has fully followed the law, past audit recommendations, and boilerplate requirements in reaching the decision to select these two sites for closure. As evidenced by the data provided, DOC did fully consider the economic impact of the closure of these facilities, along with numerous other factors when determining the sites for closure. Had the Legislature desired that specific documentation be kept supporting these decisions, it could have directed the Department to do so via boilerplate or statutory language. This did not occur, as it is clear*

*a majority of the Legislature felt DOC has provided sufficient justification for the sites selected.*

**AUDITOR'S  
COMMENTS TO  
AGENCY  
PRELIMINARY  
RESPONSE**

DOC's response does not directly address the follow-up conclusion or recommendation.

The finding encourages DOC to improve transparency via written analyses of how the data contributed to its recommendations. Also, the finding acknowledges that the appropriations acts did not require a written analysis of the economic impact.

We contend that the provision of hundreds of pages of information does not, in itself, document **how** DOC used the information to support its basis for identifying and recommending the facilities for closure. Also, the 7 pieces of economic data were historical economic data by county rather than a projection of the future economic impact specific to the community.

Therefore, the finding stands as written.

## **FOLLOW-UP METHODOLOGY, PERIOD, AND AGENCY RESPONSES**

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### **METHODOLOGY**

During our follow-up, we:

- Reviewed DOC's corrective action plan.
- Interviewed DOC staff to determine the status of the corrective action plan.
- Obtained an understanding of the facility closure decision-making process.
- Reviewed documentation maintained by DOC to support its basis for identifying and recommending facilities for closure.

### **PERIOD**

Our follow-up generally covered October 1, 2015 through September 30, 2018.

### **AGENCY RESPONSES**

Our follow-up report contains 1 recommendation. DOC's preliminary response indicates that it disagrees with the recommendation.

The agency preliminary response that follows the follow-up recommendation in our report was taken from the agency's written comments and oral discussion at the end of our 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 to 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.

## GLOSSARY OF ABBREVIATIONS AND TERMS

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<b>agency plan to comply</b>	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and to submit the plan 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.
<b>DOC</b>	Department of Corrections.
<b>mission</b>	The main purpose of a program or an entity or the reason that the program or the entity was established.
<b>performance audit</b>	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.
<b>reportable condition</b>	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.





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