



# MONTANA LEGISLATIVE AUDIT DIVISION

## PERFORMANCE AUDIT

# Contract Management

Department of Corrections

FEBRUARY 2010

09P-08

REPORT SUMMARY

The Department of Corrections has not developed adequate controls over contract procurement/contractor performance and does not properly emphasize contract management, despite the fact 40 percent of the department’s budget is spent on contracted services.

### Context

During the 1990s the Montana Legislature enacted legislation allowing the state to contract with private corporations, local, and tribal governments to operate correctional facilities. Since then, the Department of Corrections has entered into contracts for a private prison, regional prisons, prerelease centers, and specialized treatment and sanction facilities. As result, the dollar value of contracts managed by the department has increased significantly. By fiscal year 2009, contracted facilities cost the state approximately \$54 million, which is nearly as much as the costs of operation of state-owned correctional facilities. In addition to the facility contracts, the department also managed over \$19 million in other contracts during fiscal year 2009. Together, there are over 230 department contracts which compose over 40 percent of the department’s overall budget.

Our audit sought to determine if the department has internal controls in place to ensure efficient and effective contract management and if the department’s organizational structure promotes effective contract management. To do this we reviewed procurement files, evaluated the processes used to monitor contracts, and evaluated how the department’s structure impacts contract management. Despite the significant investment in contracts, the department has struggled to develop adequate controls and is not structured in manner which emphasizes the importance of contract management.

### Results

Audit work identified three primary areas in which contract management improvements are needed—procuring of contracted facilities, monitoring contractor performance, and emphasizing contract management through organizational changes. Recommendations address the need to:

- Ensure fair and equitable treatment of all vendors in procurement processes by complying with state procurement laws
- Ensure all contracts are set forth in writing
- Develop a policy regarding procurement evaluation committee composition Amend administrative rules to clarify the prerelease siting process
- Update contract monitoring tools and policies to ensure all contracts are adequately monitored
- Emphasize the importance of contract management through changes to the department’s organizational structure

Recommendation Concurrence	
Concur	8
Partially Concur	1
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the website at <http://leg.mt.gov/audit>. Report Fraud, Waste, and Abuse to the Legislative Auditor’s FRAUD HOTLINE Call toll-free 1-800-222-4446, or e-mail [lad@mt.gov](mailto:lad@mt.gov).