

Department of Corrections Contract Management

Contracted services compose over 40 percent of the Department of Corrections' total budget but the department has not developed adequate controls over contract procurement and monitoring of contractor performance nor does its organizational structure properly emphasize the importance of contract management.

Audit Findings

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.

Audit Recommendations

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.

For a complete copy of the report (09P-08) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at

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