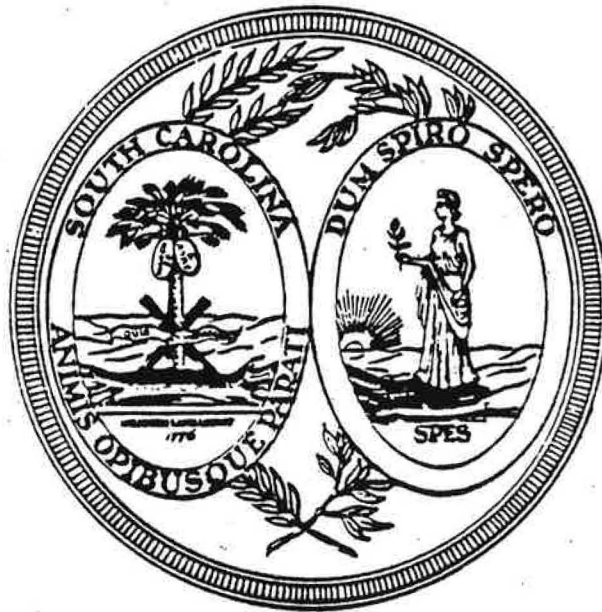


South Carolina General Assembly



Legislative Audit Council



The State of South Carolina
General Assembly
Legislative Audit Council
Cost Analysis of Phase I of the
South Carolina Department of
Corrections' Ten Year Capital
Improvements Plan
December 19, 1978

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THE STATE OF SOUTH CAROLINA
GENERAL ASSEMBLY
LEGISLATIVE AUDIT COUNCIL
COST ANALYSIS OF PHASE I
OF THE
SOUTH CAROLINA DEPARTMENT OF CORRECTIONS'
TEN YEAR CAPITAL IMPROVEMENTS PLAN

The Legislative Audit Council wishes to
acknowledge the assistance and cooperation of
the staff of the Legislative Council in the
printing of this report.

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CHAPTER ONE

INTRODUCTION, SCOPE AND SUMMARY

Introduction and Scope

The Legislative Audit Council was requested to conduct a cost analysis of Phase I of the three phases of the ten year construction program at the South Carolina Department of Corrections (DOC). Certain portions of the construction are to be accomplished with the use of inmate labor under the supervision of civilian employees of the DOC. The main focus of the request was to determine whether a true cost savings will be gained by the State through the selective use of inmate labor in certain areas of the construction program for Phase I. A copy of the original request is attached as Appendix I.

It should be noted that as the Audit Council was completing its review of the first nine months of the Phase I construction work, the DOC was planning changes in the construction schedule for succeeding phases. These proposed plans will be affected by both the bids received from the civilian contractors and by the Budget and Control Board's recommendations. These pending proposals were not available during the time of the Audit Council's review.

The Phase I construction program involves: 1) the construction of two new prison complexes, 576 beds and 528 beds each, 2) a 96 bed addition at the existing Wateree prison facility, 3) construction of an abattoir (slaughter house), 4) an addition to the infirmary at the Kirkland facility, 5) roof repair at the MacDougall Youth Corrections Center, 6) renovations to the State Park Hospital and to the Wateree

Correctional Institute. In 1976 the General Assembly approved \$20.6 million for "New and Expanded Facilities" within the DOC with the provision that all work be approved by the Budget and Control Board.

The methodology employed in the Audit Council's analysis consisted of reviews of 1) the original ten year construction plan for prison facilities, 2) the recommended implementation plan (prepared by a private planning firm), 3) the 1978 Federal court order which required the construction of additional bed spaces by no later than 1983, 4) applicable statutes, rules and regulations, and 5) literature dealing with prison construction in other states.

Interviews were conducted with officials from other states, the State Auditor's Office, the Department of Corrections, the Meat and Poultry Inspection Division of Clemson University, the Department of Vocational Rehabilitation, the Association of General Contractors, and private consultant firms which have been involved with the project. All related records-keeping activities were reviewed in addition to making several visits to construction sites.

A detailed discussion of the Audit Council's cost analysis is included in Chapter Two of this report. Recommendations are made for changes in (1) the DOC's records-keeping, (2) cost analysis procedures associated with the construction program, and (3) for a continuation of improvements already underway.

Summary of Audit

Based on our review of the construction projects at DOC, the use of inmate labor in Phase I of the DOC Ten Year Construction

Program has resulted in cost savings which could not be realized through exclusive reliance on letting of all construction work to the private sector on contracts. As pointed out by the State Engineer (Appendix 2, State Engineer's reply, paragraph 2) the exact costs of any construction project cannot be known until the project is completed and all invoices are paid. Nevertheless, the experience so far indicates that the estimated savings are being achieved and will continue.

The Audit Council found no violations of the State's laws, rules and regulations pertaining to permanent improvements projects in general and no violations of the appropriations mandate for the DOC construction program. All aspects of the Phase I construction, both planned and in progress, have been reviewed and approved by the State Budget and Control Board. All phases of construction work that have begun are ahead of schedule. A 1976 Act of the General Assembly approved \$20,617,134 for the construction of "new and expanded facilities" at the DOC with the requirement that all planned construction receive approval from the Budget and Control Board. In February 1977, the Budget and Control Board approved \$19,720,760 for implementation of Phase I of the Ten Year Capital Improvements Plan at the DOC. Of this amount, \$1,376,476 has been approved for design fees, land purchase, survey work, and soil testing. The remaining \$18,344,284 is for construction. Of this amount, \$2,217,000 in construction value will be accomplished by inmate labor. The estimated cost of inmate labor in performing the construction is 14¢ per work hour per inmate. The following table summarizes the Phase I budget at the time of the Audit Council's review.

SUMMARY OF PHASE I BUDGET

Design Fees for Proto-typical Facilities	\$1,050,000	5%
Inmate Construction, Renovation Projects	2,217,000	11%
Civilian Construction Projects	16,127,284	82%
Land Purchase	326,476	2%
Total	\$19,720,760	100%

Two small projects have been completed so far and both were below the estimated costs. Although savings due to the use of inmate labor were included in the original cost estimates, additional savings were gained from fabrication of some items through the prison industries program and with the occasional performance by the civilian construction supervisors of certain skilled tasks such as welding, when qualified inmate workers were not immediately available. Expenditures to date in Phase I indicate that the estimated savings due to the use of inmate labor in other phases of the construction plan will be accurate.

It should be noted that the Association of General Contractors is opposed to the concept of any in-house renovations, repairs, or construction at DOC which involves funds in excess of \$30,000. The Budget and Control Board requires that all permanent improvements, renovations, and alterations costing the State in excess of \$30,000 be placed on publicly advertised, competitive bid. However, the

DOC specifically has been exempted by the General Assembly from this requirement in order to use inmate labor for projects within the DOC where it is advantageous to the State to do so.

Based on the review of Phase I, if the existing plans for the DOC construction continue to be implemented under proper management, significant savings in tax dollars will occur for two reasons. The first source of savings is through the use of a proto-typical design for the new prison facilities. The design fee for the new inmate housing complex was \$1,050,000. The same design plans will be used for each of the new facilities to be built in all three phases of the Ten Year Capital Improvements Plan. This concept also would be applicable where the construction work is let on bids and should be explored for possible further applications in the State's other capital improvements projects.

The second source of savings for the State is through the use of inmate labor. The overall cost of using inmate labor is roughly half of the total labor cost when using all civilian labor. This of itself would not result in real savings unless the quality of the finished construction is adequate. The State Engineer commented that the quality of inmate workmanship in South Carolina is "equal to or better than" the quality of civilian work on similar structures. (Appendix Two, State Engineer's reply, paragraph 3)

In essence, the DOC has hired on straight salary a small supervisory staff with many years of management experience in the construction industry. This staff supervises the inmate

labor force and by all indications, to date, is achieving the objectives and quality of work that would be expected from the private sector. The bulk of savings is being realized by the State because the profit factor has been eliminated and the cost of inmate labor is very low.

The Association of General Contractors has objected to the project proposing instead that all construction be let on competitive public bids. The private construction firms would use the inmate labor force with a pay scale to be established by the State. This probably also would be more economical than using all civilian labor. However, it would not eliminate the profit factor as has been done with the current approach.

The Association also has expressed a sincere concern that the in-house construction approach presents a dangerous threat to the free enterprise system. In the Audit Council's opinion, government should seek to realize as much benefit as possible for each dollar expended from its available resources. It is equally dangerous to the free enterprise system for private industry to become overly dependent on government for its livelihood.

CHAPTER TWO

DESCRIPTION OF CONSTRUCTION PROGRAM, COST ANALYSIS OF PHASE I, AND REVIEW OF RECORDS-KEEPING PROCEDURES

Introduction

This Chapter begins with a summary of the cost analysis. Then, Table 3 presents an overview of Phase I, listing each project and its time table, budgeted project costs, and encumbrances to date, where available. Each project listed in Table 3 is numbered to correspond to a narrative discussion. The projects are presented in chronological order by their starting dates.

This Chapter also contains a brief discussion of the records-keeping procedures associated with the construction program.

Summary of Cost Analysis

Following is a list of the factors which, during the Audit Council's review, were found to contribute to cost savings in the DOC Ten Year Capital Improvements project.

- 1) Primarily Category AA and A inmates (who require no security guards) have participated in the construction taking place "outside the walls." Category B inmates (which require security guards if outside prison facilities) have been used mainly "behind the walls." Thus, there has been only minimal use of security guards.

- 2) The civilian staff who are project supervisors serve in a security role which reduces the requirement for DOC uniformed security personnel.
- 3) Some hardware items, such as steel door frames, can be (and have been) fabricated through the prison industries program. This provides three areas of savings over private sector manufacturers' prices: savings through reduction in shipping times, savings in shipping costs, and savings over the manufacturers' fabrication costs.
- 4) There is an active on-going inmate training program which provides instruction and apprenticeship practice in many of the basic skills, such as masonry, which are required in construction work.
- 5) There is an abundance of construction skills and experience among the inmate population which, so far, has precluded the need for extensive special training. In addition, the civilian supervisors, when necessary, have performed some skilled tasks such as special welding jobs when adequate inmate labor was not immediately available.
- 6) Transportation costs in the form of fuel and maintenance costs for vehicles used in transporting inmates to the project sites are charged to each project. These costs are reduced through the temporary relocation of inmates to the site of the construction project when dormitory facilities are available.

- 7) The cost of labor is the area where dramatic savings can be realized when inmate labor is used. By State law all inmates receive a base pay from State Appropriations regardless of their status - working or non-working. The base pay is \$4 every two weeks after admission to prison with a 50¢ raise every fourth pay day thereafter, until a maximum of \$14.50 per two weeks is reached. Since this is a mandated perpetual cost it was not included in the cost benefit analysis. Inmates who volunteer and are selected for participation in the facilities construction program receive a "bonus" pay which the DOC originally estimated would average 14¢ per hour per inmate worker. Table 1 displays the inmate bonus pay schedule. In the two projects that have been completed, bonus pay at the State Park Health Center renovations averaged 13¢ per hour and bonus pay averaged 8¢ per hour at the MacDougall facility roof repair project. Although the abattoir is not completed, the average inmate labor cost per hour is 12¢ and the rate is 8¢ per hour at the Kirkland infirmary addition.

Observation of inmate labor costs in South Carolina reveals a similarity to the experience in other states, such as Florida and Texas, which use inmate labor in construction. The cost savings over the use of civilian labor is approximately 50%. This cost savings occurs even though use of

inmate labor tends to take twice as many man-months* as civilian labor to complete a project.

The Phase I data show that, although the calendar estimates for project completion are being met, almost twice as many man-months are being utilized as were originally estimated using the standard estimating tables which are commonly used in the construction industry. The DOC anticipates that with more experience this can improve. However, there is a tendency to involve more inmates in the construction program than are actually necessary because of the benefits both to the inmates and to the management of the prison accruing from the elimination of idleness in a heavily over-crowded prison environment.

In addition, there is a consensus among prison officials, consultants, and published research that inmate involvement in activity which reinforces the work ethic, teaches marketable work skills, and requires acceptable behavior when participating in group activities has a rehabilitative effect.

*Man-month: The number of hours one man works in a month
40 hours per week x 4 weeks = 160 hours.

TABLE 1

INMATE BONUS PAY SCHEDULE

1. Inmates assigned to these projects will be assigned according to a skill level category. These categories are, Common Laborer, Semi-Skilled Labor, Skilled Labor and Inmate Foreman. It will be the responsibility of the Construction Managers department to assign inmates, at the time they are put on the Capital Improvement payroll, to the appropriate skill level category.

2. Inmates who choose to be assigned to the Capital Improvement work program will be eligible to receive more pay than is currently available under the regular inmate incentive payroll program as well as being eligible to receive special incremental pay increases that are in addition to the regular incremental increases currently being given. Pay scales and incremental increases for inmates will be as follows:

A. Upon initial assignment and depending upon the skill level at which an inmate is assigned, he will receive, in addition to his regular pay, a bonus amount of pay. Additionally, the maximum amount that may be earned by an inmate has been increased, incrementally, based upon the skill level in which he works.

B. Inmates will be eligible for special pay increases of \$.50 or \$1.00 every second (2nd) pay period, based upon performance, after the inmate has been on the job for two (2) pay periods. No inmate may exceed his established maximum pay level. Bonus pay and maximum rates for each payroll period are established as follows:

<u>SKILL LEVEL</u>	<u>BONUS PAY</u>	<u>MAXIMUM BONUS PAY</u>	<u>MAXIMUM NORMAL AND BONUS PAY</u>
Common Laborer	\$ 1.00	\$ 2.00	\$ 16.50
Semi-Skilled	2.00	4.00	18.50
Skilled	4.00	8.00	22.50
Foreman	5.00	10.00	24.50

C. Inmates will continue to receive automatic pay increased of \$.50 every fourth (4th) pay period as established by current inmate incentive pay policy.

Source: S.C. Department of Corrections.

Audit Council Note: The payroll period is two weeks. Therefore, the maximum total pay a common laborer could receive every two weeks is \$16.50; \$14.50 (maximum base pay) plus \$2.00 (maximum possible bonus pay).

- 8) The number of additional full time staff required for the construction program has so far been under the initial estimate. Table 2 lists the positions and the annual salaries which have been established for the construction program. The DOC estimates that only two or three more positions may be required for completion of Phase I and portions of Phase II as originally planned. It is anticipated that additional positions will be required for completion of the entire Ten Year Plan.

TABLE 2

FULL TIME CIVILIAN STAFF FOR PHASE I OF THE
DEPARTMENT OF CORRECTIONS' TEN YEAR CONSTRUCTION PROGRAM

<u>OFFICE STAFF</u>		<u>SALARY</u>
Construction Manager		\$27,000.00
Facility Design Engineer II	(G-29)	\$17,072.00
Purchasing Agent	(G-23)	\$16,250.78
Accountant I	(G-20)	\$10,291.84
Secretary II	(G-14)	\$ 8,185.84
<u>FIELD STAFF</u>		
General Construction Superintendent	(G-28)	\$22,038.90
General Construction Superintendent	(G-28)	\$22,038.90
Construction Foreman Carpentry	(G-26)	\$18,928.00
Deputy Director Physical Plant Electrical	(G-26)	\$14,302.86
Deputy Director Physical Plant Plumber	(G-26)	\$18,200.00
Deputy Director Physical Plant Plumber	(G-26)	\$18,200.00
Deputy Director Physical Plant Mason	(G-26)	<u>\$18,720.00</u>
Grand Total of Salaries		<u>\$211,229.12</u>

- 9) Equipment costs have been low. Costs of equipment purchased are charged to each project on a pro-rated basis using the hourly cost tables established by the National Association of Equipment Distributors (AED) which is a construction industry standard. Purchased equipment is depreciated following standard practice. The equipment is used in other DOC projects apart from the construction program and it will continue to be in use throughout its work life. Heavy equipment, such as a large crane, is rented when needed for a particular task.

In conclusion, real cost-savings through the use of inmate labor can be realized only if the quality and timeliness of construction are comparable in all respects to the quality of work performed by construction firms in the private sector. The Audit Council's inspections of work sites, both unannounced and scheduled, indicated that the work activities were orderly and productive. In addition, the Council asked the State Engineer for an opinion regarding the comparability of inmate construction with work performed in the private sector. The State Engineer responded that the work quality is "equal to or better than" work on similar structures by civilian construction firms. The Council's request and the State Engineer's response are included as Appendix 2.

The factor most critical to the continuation of this success is the presence of an experienced construction engineer to manage the program. The current supervisor has had to resign due to health reasons effective January 1, 1979. Prompt replacement by a similarly qualified individual should be a very high priority.

Project 1. State Park Hospital Renovations

This project was begun in February 1978 and completed in October 1978. Inmate labor under civilian staff supervision completed all the work. The project consisted of modification of the fourth floor of the State Park Hospital in order to house hospitalized inmates. The project's total encumbered cost was \$25,725 as of October 26, 1978. Not included are the equipment costs. The equipment costs will be pro-rated back to each project when all invoices are received and the project is completed. It is clear now that the final total cost of this project will be significantly below the \$180,000 originally budgeted. The construction manager has estimated it will be approximately 22 percent below the cost estimate.

Project 2. Wateree River Correctional Institution Renovation

Work on this project began in February 1978. Completion is scheduled for May 1979 and inmate labor is doing all the work. This project consists of modifications to the dining, administrative and support facilities, and an upgrading of the water supply and

sewerage treatment systems. Out of the \$377,000 approved budget for the project \$67,942.92 has been encumbered. The project is slightly ahead of schedule and here too, the actual total cost will be under the total budget.

TABLE 3
TIME AND COST SCHEDULE OF PHASE I CONSTRUCTION PROJECTS AT
THE STATE DEPARTMENT OF CORRECTIONS

Projects Phase I	1978 ^(a)	1979 ^(a)	1980 ^(a)	1981 ^(a)	Project Budget ^(b)	Amt. Encumbered To Date ^(c)
	J F N A M J J A S O N D	J F N A M J J A S O N D	J F N A M J J A S O N D	J F M A		
1. State Park	//////////				\$ 180,000	\$ 25,725 as of 10-26-78
2. Wateree Renovations	//////////	////////			377,000	67,942 as of 11-02-78
3. Abattoir	/// //	///			250,000	53,228 as of 10-11-78
4. McDougall Roof Rep.	////////				40,000	20,981 as of 10-27-78
5. Kirkland Infirmary	////////	////////			150,000	60,158 as of 9-22-78
6. Oaklawn Med. Secur. Multipurpose Bldg.	*	***** ////////	***** ////////		9,218,720 380,000	
7. Spartanburg Min. Se. Multipurpose Bldg.		*****	***** ////////	///	6,908,564 380,000	
8. Wateree Dorm. Add.	/	////////			460,000	

* - Denotes civilian contract construction.

/ - Denotes inmate construction.

(a) Construction schedule by year and month.

(b) Project budget includes: (1) materials, labor; (2) fees; (3) basic equipment and supplies; (4) insurance; (5) contingencies.

Excludes: land purchase and design fees totaling \$1,376,476

(c) Project encumbrances do not include land purchase or equipment (see Chapter 2: Records-keeping).

Total Project Budget^(b)

\$ 18,344,284

Total Equipment Encumbrances

\$116,817 as of 9-22-78

Project 3. Abattoir Construction

The abattoir is located behind the DOC headquarters on Broad River Road, north of Columbia. The entire structure including the kill floor, processing area, refrigeration facilities and the administrative area is being constructed with inmate labor. The Director of the State's Meat and Poultry Inspection Department under Clemson University commented that this facility would be a "showcase for the State." Of the \$250,000 approved budget for the project \$53,228.41 had been encumbered as of October 26, 1978. The project is on schedule and the original cost estimate (\$250,000) appears to be accurate.

Project 4. MacDougall Youth Correction Center, Roof Repair

This project was begun in May 1978 and completed in August 1978 using inmate labor. Its completion was slightly ahead of schedule. As of October 27, 1978, \$20,981 of the project's \$40,000 budget had been encumbered. Some bills have not yet been invoiced; however, the total cost, including the equipment costs which are yet to be billed to the project, will be under the budgeted figure. The construction manager stated it would be approximately 15 percent below the budget.

Project 5. Kirkland Correctional Institution Infirmary, Additional Space.

This project was initiated in order to comply with the health care facility standards of the State Department of Health and Environmental Control. It consists of adding a new wing to the existing infirmary using inmate labor for the entire project. Of the \$150,000 budgeted for the project, \$60,158 had been encumbered as of September 22, 1978. This project is slightly ahead of schedule.

Project 6. Oaklawn Medium Security Correctional Facility; One Multi-purpose Building to be Constructed with Inmate Labor.

An outline of the planned Oaklawn facility is shown in Figure 1. It will contain units for housing, dining, kitchen, educational services, vocational services, administrative services, program services, and one multi-purpose building (Building K, Figure 1). Only the multi-purpose building will be constructed with inmate labor. This building involves \$380,000 of the total \$9,218,720 (excluding land purchase cost) approved for the Oaklawn facility. Bids were let on the facility construction during November 1978.

The only expenditures that have been made so far relating to the Oaklawn facility are for architectural design fees, test borings, boundary surveys, and topographic surveys. The DOC anticipates a major savings because the design for new facilities in the ten year plan is a proto-typical design which will be used in Phase II and Phase III thus eliminating repetition of design costs.

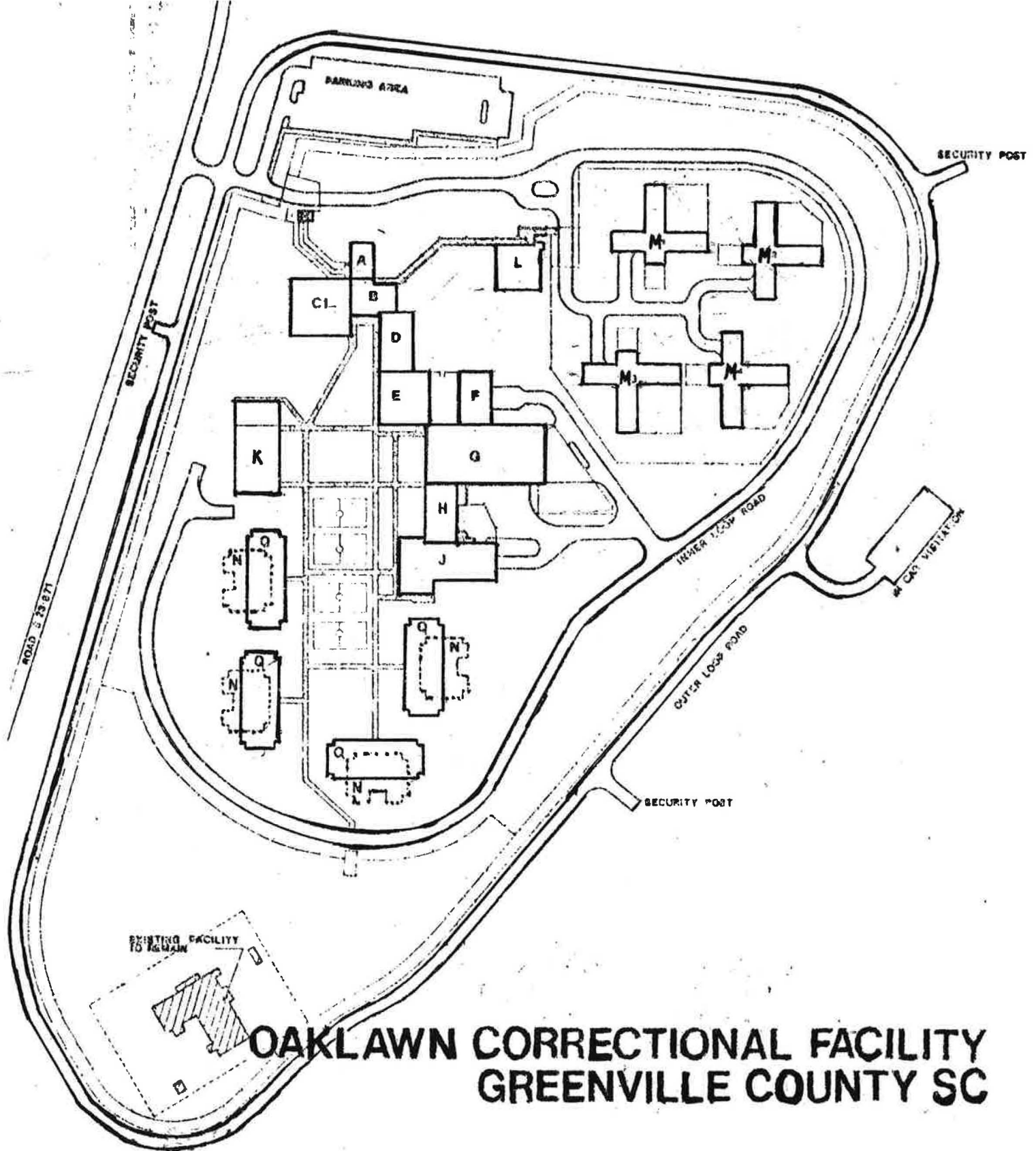


Figure 1. Outline of Planned Oaklawn Correctional Facility. Building K, is the only building to be constructed using inmate labor.

Project 7. Spartanburg Minimum Security Correctional Facility;
One Multi-Purpose Building to be Constructed with Inmate Labor.

This project is identical in design to the Oaklawn facility discussed above except Spartanburg will contain only one "M" building as opposed to Oaklawn's four. Most of the difference in estimated construction cost is due to the smaller number of "M" buildings, as well as the less costly security requirements for a minimum security facility as compared to those for a medium security facility.

The configuration of the complex is identical to that shown in Figure 1 which displays the Oaklawn facility. The only building in the Spartanburg facility to be constructed using inmate labor is the multi-purpose building, (Building K).

Project 8. Wateree Correctional Institution; Dormitory Addition
for Minimum Custody Inmates.

This project is a two-story 96 bed dormitory building which utilizes the proto-typical design of the dormitory buildings in the planned Oaklawn and Spartanburg facilities. Construction work on this building is scheduled to begin in December 1978 and will use inmate labor. The Budget and Control Board has approved \$460,000 for the construction of this dormitory.

DOC Records-Keeping Procedures for Phase I

Representative forms of government have an obligation to maintain the highest standards of total accountability to the public for all governmental expenditures and activities. Ideally, records of State fiscal activities should be maintained in such a way that they are virtually self-explanatory, in addition to being complete, accurate, usefully informative, and in compliance with all applicable laws, rules, and regulations.

Large capital improvements projects such as the facilities construction at DOC routinely experience changes in cost estimates, in design, in time schedules, and in expenditure targets. Records-keeping associated with such projects, therefore, must provide enough detail to allow accurate recapitulation of the costs associated with each aspect of the project. These records usually are the sole data base for conducting analyses to determine the cost-effectiveness of the method in which a particular project was carried out. It is this type of analysis, in part, which aids management in improving efficiency in future undertakings.

In addition, records-keeping in government is structured to conform to the principles of checks and balances associated with the concept of governmental separation of powers. Operationally, this means that there must exist a clear and complete trail of expenditures which allows an auditor to assess whether all expenditures are made in accordance with their legislated intent and are made in an efficient and effective manner. The expenditures also must meet all procedural requirements established through the authority of the Executive Branch.

The records-keeping and accounting system as initially established for the construction project in August 1977 did not meet these criteria. Specifically, the documentation for project budgets (Form E-1, budget amounts approved by the State Budget and Control Board) could not be compared to the record of expenditures in a way that allowed conclusive cost analysis. The estimates of expenditures were aggregated at too high a level and there were inconsistencies in the method in which purchases were billed to specific projects.

However, these problems were in large part corrected shortly after the hiring of an experienced construction engineer to supervise the program. In February 1978, an accountant experienced in the construction industry was hired specifically to establish and maintain the records-keeping and accounting system for the program. The system is an industry standard called "16 Divisions of Construction." The State Engineer's Office also began to provide guidance in preparing the E-1 and E-11 forms when the problems were recognized. Although only a small amount of the approved funds have been expended as of October 1978, the Audit Council's review noted a significant improvement in the quality and comprehensiveness of the program's records-keeping since February 1978. Changes are also underway in the DOC's automated accounting system which will further improve the ability to analyze expenditures for each specific project within each phase of the total program and identify the budget and fund source for each project. These changes, properly implemented, will provide an improved managerial oversight capability, as well as facilitating independent assessment of the projects.

Conclusion and Recommendations

The Audit Council's conclusion after review of Phase I of the DOC Ten Year Construction Program is that the use of inmate labor has resulted in cost savings which could not be realized through exclusive reliance on letting of all construction work to the private sector on contracts.

The State must be confident that the DOC construction program is being carried out as economically as possible without sacrificing efficiency and effectiveness. This confidence can be established only if the records-keeping and accounting procedures associated with the construction program are comprehensive, accurate, and allow cost analyses to be conducted periodically. For this reason it is additionally important that the DOC continue to improve the records-keeping system for the construction program.

The consulting firm, which prepared both the Ten Year Plan and a subsequent implementation plan with detailed cost analysis, emphasized that managing the construction program as a system was essential to its success. The Audit Council concurs with this focus and re-emphasizes the importance of having a qualified individual in the position of construction manager.

APPENDIX 1



House of Representatives - State of South Carolina - Columbia

JOYCE C. HEARN (MRS. THOMAS H.)
DISTRICT NO. 76--RICHLAND COUNTY

HOME ADDRESS:
1316 BERKELEY ROAD
COLUMBIA, S. C. 29205

COMMITTEE:
MEDICAL, MILITARY, PUBLIC AND
MUNICIPAL AFFAIRS

June 16, 1978

Mr. George L. Schroeder
Executive Director
Legislative Audit Council
Bankers Trust Tower (Suite 500)
Columbia, South Carolina 29201

Dear Mr. Schroeder:

We would respectfully request an objective cost analysis of Phase I of the Central Correctional Institute Building Program involving some four million dollars. It has been brought to our attention that there is grave doubt by taking these building contracts from the private sector and placing them with the Central Correctional Institute, that any real savings in construction can be achieved.

We would urge that the Legislative Audit Council do an indepth cost comparison on this program, with a report back to the Legislature before Phase II involving some thirty-five million dollars is implemented. The basic philosophy of most legislators is that we should have as little governmental interference in the private sector as is reasonable, and if we are going to compete with the private sector as a government, then we must demonstrate that there will be a true savings of taxpayers' dollars to offset the loss of the tax dollars and the loss of jobs as we establish a construction company with CCI.

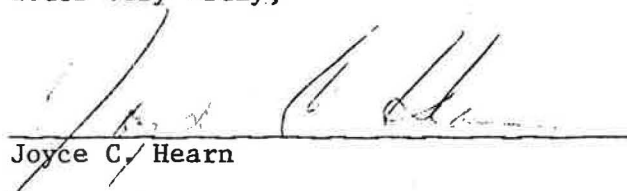
The proposal by the Contractor's Association is that they bid the contract and use the inmate labor which would effect substantial savings and also not have governmental competition.

Please advise us if the Legislative Audit Council is able to conduct an indepth audit which would give the true cost figures of Phase I, including such things as equipment depreciation, transportation of inmates, extra security guards, training of inmates, etc.

Mr. George L. Schroeder
June 16, 1978
Page Two

Your consideration of this request will be most appreciated.

Yours very truly,



Joyce C. Hearn



T. Moffatt Burriss

lm

APPENDIX 2

LEGISLATIVE AUDIT COUNCIL

STATE OF SOUTH CAROLINA

500 BANKERS TRUST TOWER
COLUMBIA, SOUTH CAROLINA 29201

TELEPHONE:
803-758-5322

November 1, 1978

MEMORANDUM

PUBLIC MEMBERS

Robert S. Small, Jr.
Chairman
Carl B. Harper, Jr.
F. Hall Yarborough

TO: Edgar A. Vaughn, State Auditor
FROM: George L. Schroeder, Executive Director
SUBJECT: South Carolina Department of Corrections (DOC)
Construction Program

EX-OFFICIO MEMBERS

SENATE

W. Brantley Harvey, Jr.
Lt. Governor
Pres.-Senate
L. Marion Gressette
Pres. Pro Tempore
Chm. - Judiciary Comm.
Rembert C. Dennis
Chm. - Finance Comm.

As you know the Legislative Audit Council has been asked to conduct an analysis of the use of inmate labor in portions of the prison facilities construction program at the South Carolina Department of Corrections. In general, we are to determine whether or not the use of inmate labor will provide an actual cost savings to the State.

We are requesting a statement from the Engineering Division of your office regarding the following aspects of the project.

1. From the perspective of a construction engineer, have the planning procedures and cost estimating procedures for the entire project been professionally competent? Have they been comparable in quality to the standards one would expect from a private construction firm?
2. From the perspective of a construction engineer, have the overall costs of the projects using inmate labor been within acceptable standards? Have there been any unusually high or excessive costs attributable to the use of inmate labor?
3. From the perspective of a construction engineer, has the quality of construction done by DOC inmates been comparable to the quality of construction work one would expect from a private construction firm?

HOUSE

Rex L. Carter
Speaker of House
Tom G. Mangum
Chm. - Ways & Means Comm.
Robert L. McFadden
Chm. - Judiciary Comm.

George L. Schroeder
Executive Director
Albert M. Gross
Deputy Director

In addition, we would appreciate any other comments regarding the DOC construction project which your office feels may be relevant to our review. Thank you very much for your cooperation.

GLS/ss1

STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR
P. O. BOX 11333
COLUMBIA
29211

WILLIAM T. PUTNAM
STATE AUDITOR

Address Reply To
CHIEF ENGINEER, FINANCE DIVISION
STATE BUDGET AND CONTROL BOARD
P. O. Box 11333
Columbia, S. C. 29211

November 15, 1978

Mr. George L. Schroeder
Executive Director
Legislative Audit Council
500 Bankers Trust Tower
Columbia, S.C. 29201

Subject: Department of Corrections
Construction Program

Dear Mr. Schroeder:

This is in reply to your memorandum to Edgar A. Vaughn, State Auditor, dated November 1, 1978 relative to DOC's Construction Program with inmate labor; and we wish to advise the following:

1. Based on the information and scope at hand at the original conception of the entire project, the estimates were professionally competent. A private construction firm using the same information and scope, in all probability, would have had a higher estimate due to unknowns and would have used a higher contingency factor also.
2. Under the present program there are only two major projects under construction using inmate labor: i.e. Kirkland Infirmary Remodeling and Addition and the New Abbattoir. The Infirmary is approximately 70% complete and the Abbattoir is only approximately 25% complete. Due to the status of the percentage of completion, it is hard at this time to determine if savings have resulted by using inmate labor. Construction is like any other business, one does not know his true profit until the project is over and all the invoices have been paid.
3. Based on our inspections from time to time, the workmanship at these two projects is equal to or better than that by the private sector for similar types of structures.

TELEPHONES (AREA CODE 803)

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758-3106

BUDGET DIVISION
758-7415

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758-8406

GRANTS AND CONTRACTS
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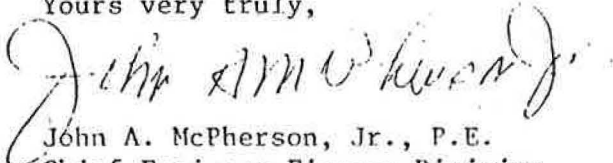
ENGINEERING
758-7707

In our visit to the construction Office and the construction site we have made other comments we would like to pass on to you.

4. George Harris, DOC's Construction Manager, has set up a cost record and account similar to that used in the private sector. This system is known as the "16 Divisions of Construction." Using this system is the best way to determine true cost and can be used for estimating future projects.
5. Building materials are not being wasted as one would expect when using inmate labor.

If we can be of further assistance please let us know.

Yours very truly,



John A. McPherson, Jr., P.E.
Chief Engineer-Finance Division
Budget and Control Board

JAMcP/11h

cc: Edgar A. Vaughn

APPENDIX 3



south carolina department of corrections

P. O. BOX 21787/4444 BROAD RIVER ROAD/COLUMBIA, SOUTH CAROLINA 29221
TELEPHONE (803) 758-6444
WILLIAM D. LEEKE, Commissioner

December 11, 1978

Mr. George L. Schroeder, Executive Director
Legislative Audit Council
Suite 500, Bankers Trust Tower
Columbia, South Carolina 29201

Dear Mr. Schroeder:

I have reviewed the draft report entitled "Cost Analysis of Phase I of the South Carolina Department of Corrections Ten Year Capital Improvements Plan" prepared by the Legislative Audit Council. I am in general agreement with the findings and recommendations contained therein. The following specific comments are in response to that draft report.

1. Inmates under competent and experienced civilian supervision can be effectively used to do quality construction in a timely manner at a significant dollar savings to South Carolina taxpayers. These savings can be objectively documented using normally accepted accounting practices. However, it is virtually impossible to objectively document other real benefits which accrue from on-going inmate participation in our construction activities. The construction projects provide work and training for inmates which is transferrable to the private sector upon their release. It is not possible to put a dollar value on this increase in marketable skills and improved work habits, but I am confident they represent a very real, if intangible, benefit to the citizens of the State.

2. The Department of Corrections in all its programs strives for accountability. Realizing the potential sensitivity of our construction activities, we are making a concerted effort to further improve our records-keeping. We are committed to maintaining the necessary records for providing a clear and objective audit trail on all expenditures so that the cost-benefits of inmate construction and of this Agency's management of construction projects can be documented. I realize that the records-keeping efforts for the Department of Corrections on these projects must be more rigorous than would be required of private firms in similar circumstances.

These comments in addition to clarifications offered during the exit conferences, will lead towards a fair and reasonable assessment of the use of inmates in our construction program.

Sincerely,

William D. Leeke

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