ALASKA STATE LEGISLATURE

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SUMMARY OF: A Special Report on the Department of Corrections and the Department of Administration, Divisions of Retirement and Benefits and Personnel, Correctional and Probation Officer Transfer Analysis, October 9, 2003.

PURPOSE OF THE REPORT

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we conducted an audit of the Departments of Corrections (DOC) and Administration (DOA). The overall objective of the report was to determine if DOC personnel practices are creating an under-funded burden on the retirement system and displacing local hire. Our analysis included the hiring and personnel practices of DOC, transfer of correctional and probation officers to rural areas, and the inclusion of the geographic pay differential in retirement base pay.

REPORT CONCLUSIONS

Some correctional and probation officers are transferring to rural communities near the end of their careers to increase their retirement pay. Particularly in Nome, these employees are living only part-time in the community and have their primary residence elsewhere. This type of transfer has decreased the opportunities for hiring in the local communities and affects the ethnic make up of correction and probation officers in these rural communities. The transfer of these employees does add an under-funded financial burden to the State's retirement system. Through analysis, we identified that the retirement fund will pay an additional $4 million to 22 employees due to the inclusion of geographic pay differential in the employee's three high year earning's calculation.

FINDINGS AND RECOMMENDATIONS

1. Future retirement plans should consider excluding geographic pay differentials (GPD) from average monthly compensation used to calculate retirement benefits. As an alternative, GPDs could be used as a post retirement cost-of-living allowance. Further, the flexibility of the GPD as stated in statute for Tier II and III employees should be clarified.

   The GPD was intended to address a need to provide additional cost of living compensation for living and working in the high cost areas of Alaska, typically rural

Alaska. However, the inclusion of the GPD factor in the compensation base used to calculate retirement pay, regardless of whether the former employee retires in rural Alaska, results in under-funded retirement pay.

2. DOC's human resources manager should develop a framework for Correctional Officer (CO) hiring decisions, within the confines of the Alaska Statutes and the COs union agreement. The CO bargaining unit contract does and should continue to give the department sufficient flexibility. The current administration has the opportunity to develop staffing policies by facility with the intent of addressing what is in the best interest of each facility. The facility-by-facility framework should be considered in lieu of a restricted statewide transfer preference in accordance with the CO bargaining unit agreement. Factors to consider in the staffing policy of each facility should include need for continuity of CO staff, need for more experienced staff, and the impact of high turnover.

3. The DOC directors of Institutions and Probation and Parole should take steps necessary to ensure that correctional and probation officers are in compliance with federal gun control laws.

4. DOC's director of Administrative Services should increase correctional and probation officer recruitment efforts for rural communities. DOC'S director of Administrative Services should increase recruitment efforts by considering additional advertising, working with Native organizations, and flexing positions to provide a career path in rural communities.

5. DOC's director of Administrative Services should strengthen internal controls over staff travel and prisoner transportation. Weaknesses were identified with approvals on travel authorizations and expenditure transactions. Additional weaknesses were identified with accountability over inmate and staff travel on contract flights coordinated by the Prisoner Transportation Unit.

6. The director of DOA's Division of Administrative Services should not include a GPD to rural facility COs working at urban facilities on their week off. DOC's director of Administrative Services should collect overpaid wages. Additionally, the COs bargaining unit agreement should clarify that COs assigned to rural areas will be paid a geographic differential only when performing the duties at a rural facility.

7. The director of DOA's Division of Personnel should consider conducting a cost-of-living survey.

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   The GPD was intended to address a need to provide additional cost of living compensation for living and working in the high cost areas of Alaska, typically rural

Alaska. However, the inclusion of the GPD factor in the compensation base used to calculate retirement pay, regardless of whether the former employee retires in rural Alaska, results in under-funded retirement pay.

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4. DOC's director of Administrative Services should increase correctional and probation officer recruitment efforts for rural communities. DOC'S director of Administrative Services should increase recruitment efforts by considering additional advertising, working with Native organizations, and flexing positions to provide a career path in rural communities.

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6. The director of DOA's Division of Administrative Services should not include a GPD to rural facility COs working at urban facilities on their week off. DOC's director of Administrative Services should collect overpaid wages. Additionally, the COs bargaining unit agreement should clarify that COs assigned to rural areas will be paid a geographic differential only when performing the duties at a rural facility.

7. The director of DOA's Division of Personnel should consider conducting a cost-of-living survey.

October 23, 2003

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENTS OF CORRECTIONS AND ADMINISTRATION
CORRECTIONAL AND PROBATION OFFICER TRANSFER ANALYSIS

October 9, 2003

Audit Control Number

20-30024-03

The overall objective of the report was to determine if the Department of Corrections' (DOC) personnel practices are creating an under-funded burden on the retirement system and displacing local hire. Our analysis included the hiring and personnel practices of the Department of Corrections, transfer of correctional and probation officers to rural areas, and the inclusion of the geographic pay differential in retirement base pay.

The audit was conducted in accordance with generally accepted government audit standards. Fieldwork procedures utilized in the course of developing the findings and discussion presented in this report are discussed in the Objectives, Scope, and Methodology.

Pat Davidson, CPA
Legislative Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we conducted an audit of the Department of Corrections (DOC) and the Department of Administration's (DOA) Division of Retirement and Benefits and Personnel. Specifically, we considered hiring and personnel practices at DOC and the impact on local and native hire, and retirement benefits.

Objectives

The primary objective of our review was to evaluate rural hiring practices at DOC. Specifically, that:

- Correctional officers (COs) and probation officers (POs) are transferring out to rural areas to increase their lifetime retirement benefits.
- This practice may have an adverse impact on local hire.
- Hiring policies or practices have a discriminatory or disparate impact upon Alaska Natives.
- Some of the COs may be hotbunking and spending their week off outside of the rural community.
- Individuals who hotbunk may be using prisoner transportation flights to return home during their week off.

Additionally, we were asked to determine how much more it costs the state over the actuarial lifetime of an average urban DOC correctional or probation officer when they transfer to a rural community to get their three high years and how much it will continue to cost the State if this practice continues.

Number of Individuals Transferring to Rural Areas in the Past Ten Years

Location	Retiring before December 31, 2004	Total Transfers During the Past 10 Years
COs in Bethel	5	13
COs in Nome	9	30
POs in Bethel, Nome, Barrow, Kotzebue	8	18
Total	**22**	**61**

Scope

Our audit focused on employee transfers to the rural areas of Bethel, Nome, Kotzebue, and Barrow over a 10-year period between July 1, 1992 and June 30, 2003. There were 61 DOC employees (COs, POs, Assistant Superintendents and Superintendents) who transferred during that time period. Of these 61,

we further analyzed 22[1] individuals; 13 who had retired and nine who have retirements set before December 31, 2004.

Our analysis considered the individuals actuarial estimated life. The particular positions being evaluated were those of correction officers and probation officers employed by the Department of Corrections.

Additionally, we reviewed the activity of the prisoner transportation unit for FY 02 and FY 03.

Methodology

We reviewed various laws, regulations, and policies, including:

- Alaska Statutes
- Alaska Administrative Code
- FY 03 and FY 04 Governor's budget documents including position control reports
- DOC policies and procedures
- Bargaining unit agreements covering COs, POs, and supervisory employees
- Field training manual for CO I
- Public Employees Retirement System Information Handbook
- Office of the Governor administrative orders
- Alaska Police Standards statutory authority
- U.S. Code

We reviewed and analyzed reports and articles from various organizations, specifically:

- Institute of Social and Economic Research.
- Alaska Justice Forum of the University of Alaska, Anchorage – reports specific to Native employment in the Alaska Justice System
- Alaska Native Commission
- Legislative Research
- State of Alaska workforce demographics report

[1] The remaining 39 were not included in the analysis because:

- Transferees have retirement dates set past December 31, 2004.
- Transferees were Tier I employees who transferred to the rural area for less than two years.
- Transferees were Tier II or III employees who transferred to rural areas under seven years.

- Juneau Empire and Anchorage Daily News newspaper articles relevant to Native hiring practices

We reviewed DOC agency information including:

- Recruitment Process for Correctional Officer I - II
- Director and commissioner reading files

We conducted on-site visits, interviewed individuals, and/or, in some cases, reviewed documents at the following institutions:

- Spring Creek Correctional Center, Seward
- Anvil Mountain Correctional Center, Nome
- Yukon Kuskokwim Correctional Center, Bethel
- Anchorage Correctional Complex (comprised of Anchorage Jail and Cook Inlet Pretrial Facility), Anchorage
- Hiland Mountain Correctional Center, Eagle River

We discussed Native cultural and recruitment issues with:

- Native organizations including, but not limited to the Alaska Native Justice Center, Alaska Native Coalition on Employment and Training, Bering Straits Native Corporation, King Island Native Corporation, Nome Eskimo Community, Sitnasuak Native Corporation, Kawarek, Orutsaramut Native Council, and Association of Village Council Presidents
- DOC contracted psychiatrist
- DOC human resource manager
- Nome City manager
- Nome School District Superintendent
- Alaska State Troopers

We reviewed and evaluated documents maintained by DOA, Division of Retirement and Benefits, Division of Personnel, and Labor Relations Unit. Documents included geographic pay differential information, grievance files, and workplace Alaska ethnicity information. Additionally, we evaluated the reliability of information provided by the Division of Retirements and Benefits.

We interviewed staff of:

- DOC, Division of Administrative Services, Division of Institutions, Division of Probation and Parole, Training Academy, and Prisoner Transportation Unit
- DOA, Division of Retirement and Benefit
- DOA, Labor Relations Unit
- Public Safety Employees Association
- Human Rights Commission

ORGANIZATION AND FUNCTION

Department of Corrections

The Department of Corrections (DOC) was created by Executive Order No. 55 on March 9, 1984. DOC's mission is "*To protect the public by confining, supervising, and rehabilitating offenders under the custody of the department.*" To accomplish its mission the department will:

- Respect the rights of victims of crime.
- Hold offenders accountable.
- Provide offenders with opportunities for reform in an environment that is safe, fair, and secure.
- Provide training to staff so they may serve as positive role models to offenders, while ensuring officer safety.

DOC is responsible for public safety through the administration of correctional services including 12 prisons and jails which provide secure incarceration and appropriate rehabilitation programs for felons and misdemeanants; community residential centers; supervision and case management of probationers and parolees in the community; and, oversight of small community jails.

To carry out its duties, DOC's four divisions – Division of Administrative Services (DAS), Division of Probation and Parole, Division of Institutions, and the Alaska Board of Parole – a quasi-judicial Board which makes all parole related decisions – are organized under the Commissioner's office which is responsible for direct oversight of the department.

DAS: This division provides services in the areas of budget, human resources, accounting, procurement, and data processing in such a manner that allows DOC divisions or components to accomplish their respective missions.

Division of Probation and Parole: There are three sections within the Division of Probation and Parole – Northern, Southcentral, and Southeast.[2]

Probation officers duties include routinely conducting presentence investigations and writing presentence reports in felony cases statewide for the Superior Court. They also enforce conditions of supervision established by the Alaska Board of Parole and the court, such as treatment issues, substance abuse, mental health, and ensuring offenders pay restitution and

[2] Recently, the Northern and Southeast sections of the Division have been combined.

fines. Probation and parole plays a key role in population management to relieve institutional overcrowding problems such as electronic monitoring of released offenders on probation. They also target higher-risk offenders for intervention prior to revocation, such as EP (Enhanced Probation) and ISSP (Intensive Supervision Surveillance Program).

The Northern region is geographically the largest and most remote region in the state, requiring probation officers to regularly travel from their home communities to isolated small towns and villages.

Division of Institutions: The mission of the Division of Institution reads, "*To ensure that the institutions and programs are maintaining an environment for prisoners that promotes positive change and at the same time fulfills the statutory obligation of protecting the public*." The Director of the Division of Institutions oversees 12 correctional facilities operating throughout the state. Each institution is managed by a superintendent who manages all operational aspects of the correctional facilities. Correctional facilities operations include administration, prisoner security, prisoner education programs, and prisoner medical services.

The Director's office serves as the liaison between the institutions and other components of DOC, as well as the liaison between officials representing other government agencies, including the Alaska State Legislature. It provides daily oversight and management review to in-state correctional facilities and residential treatment facilities, as well as electronic monitoring and offender supervision programs. These programs include population management and prisoner movement, financial monitoring and direction, personnel issues, program implementation, and other specialized services within the continuum of correctional management. Additionally, the Director of Institutions provides oversight for community residential centers and out-of-state contract correctional facilities.

Department of Administration

The Department of Administration (DOA) provides centralized management and technological services to state agencies, in addition to providing some centralized services to Alaskans. Our focus with DOA is primarily on the centralized services provided by the Division of Retirement and Benefits, Division of Personnel, and the Labor Relations section.

Division of Retirement and Benefits: This division is responsibility for accountability of benefits for public employees and retirees. Accountability includes maintaining records, distributing benefits in a timely manner, and protecting participants' assets. In addition, Retirement and Benefits negotiates a beneficial benefit plan rate, assists employers and employees in making informed decisions, and provides counseling services for deferred compensation, supplemental benefits, and the retirement system.

Division of Personnel: This division provides policy direction and establishes procedures and guidelines to state agencies on all aspects of workforce management and development. These include recruitment, selection, classification, pay, implementation of employment laws, and

workforce analysis and planning. Additionally, Division of Personnel provides training for human resource staff, supervisors, and managers on their responsibilities under the law and state labor contracts.

The Labor Relations section negotiates for the state's 12 bargaining unit contracts and subsequent amendments to the contracts. Additionally, they:

- Act as chief spokespersons for the state's bargaining teams handling all associated logistics.

- Investigate complaints and grievances that reach the Commissioner of Administration level and represent the state's interest in resolution or adjudication of these disputes.

- Provide training on all new contracts, facilitate training for agency human resource managers on employment and the arbitration process, and dispute resolution training for state employee relations issues.

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BACKGROUND INFORMATION

The mission of the Department of Corrections is to protect the public by incarcerating and supervising offenders. Correctional officers (COs) and probation officers (POs) are the prime classifications of positions necessary to carry out the department's duty.

COs and POs are covered under various collective bargaining agreements

Three organizations represent COs and POs under an agreement made between the State of Alaska and the organization. These organizations are as follows:

1. Public Safety Employees Association's (PSEA) agreement covers the correctional officers bargaining unit.

2. Alaska State Employees Association covers the general government bargaining unit (GGU).

3. Alaska Public Employees Association covers the supervisory bargaining unit.

Correctional Officers	General Government	Supervisory
Correctional Officer I Correctional Officer II Correctional Officer III	Adult Probation Officer I Adult Probation Officer II Adult Probation Officer III	Assistant Correctional Superintendent Correctional Superintendent Correctional Officer IV Adult Probation Officer III Adult Probation Officer IV Adult Probation Officer V Adult Probation Officer VI

The purpose of bargaining unit agreements are to promote harmonious, cooperative relations, to strengthen the merit principal, to establish a rational method for dealing with disputes, and to determine wages, hours, and other terms and conditions of employment for the individuals they serve. One of the key employment sections addressed in the agreement is employment status which discusses such items as appointment, probationary period, permanent status, rehire, demotion, resignation, seniority, and transfers. Another important section includes wages which discusses such items as wage adjustments, geographic pay differentials (GPDs), longevity increments, and shift differentials.

CO IIs are given a special transfer opportunity under the CO bargaining unit agreement

Correctional officers under the PSEA contract are subject to a policy whereby the department must recruit by transfer when there is a CO II vacancy. According to the PSEA bargaining unit agreement:

> *…the three (3) most senior members on the list based on the most current quarterly seniority list shall receive first consideration and will be afforded the opportunity to be interviewed for a vacancy. The Superintendent or Facility Manager attempting to fill a vacancy* ***shall*** *interview each of the three (3) most senior members before filling the vacancy. If less than three (3) candidates are on the list, the hiring manager may work a new hire list concurrently.* [Emphasis added.]

For CO III and above vacancies, the hiring manager may elect to work the transfer list or the competitive list, or both concurrently. There are currently no bargaining unit policies in place for recruiting CO I positions.

Correctional officer II positions are flexibly staffed. Flexible staffing allows the department to either hire a CO I through open recruitment or transfer at a CO II level. The contract is ambiguous with regard to which option the department is to use when they have a vacancy. If hired as a CO I level, the individual must spend 14 months in training as a CO I prior to upgrading to a CO II. However, a transfer can be brought in at a CO II level already trained.

Probation officers wanting to transfer are not given same preferences as correctional officers

For POs, there is no specific provision for a particular level of employee regarding transferring from one position to another. In general, the GGU agreement states,

> *An employee, except a provisional employee, may apply for and be transferred to a position in the same class, or to a "parallel" or closely related job class at the same pay range in State service.* ***If*** *the request for transfer is restricted to the employee's own department and is in the same job class, the employee* ***may*** *make such request through departmental channels and* ***may*** *be appointed without recruitment or application.* [Emphasis added.]

The GGU transfer policy states the employee may request a transfer and the department may appoint a transferee. However, the GGU policy does not require that a hiring manager interview that individual, as the PSEA agreement requires, to fill a CO II vacancy.

The retirement system for State employees classifies members under three different "tiers"

Both COs and POs are classified as peace officers under the Public Employees Retirement System (PERS). Currently, there are three different tiers of employees in the State under PERS. Members who first entered PERS before July 1, 1986, are in Tier I; on or after July 1, 1986, but before July 1, 1996, are in Tier II; and on or after July 1, 1996, are in Tier III. The benefits of each tier are shown in Appendix A.

In addition to the benefits specific to each tier as shown in Appendix A, another change from Tier I to Tiers II and III addresses the GPD inclusion in retirement benefit calculations. Tier II and III employees have stricter criteria to follow in order to include the GPD in their

retirement benefit calculation. AS 39.35.675, that is added for the Tier II and beyond employees, cites:

> *(b) the amount of the cost-of-living differential may not be included in the employee's compensation for purposes of calculating benefits paid under this chapter unless the employee has received a cost-of-living differential for at least 50% of the employee's credited service.*

This statutory change requires an employee to spend at least 50% of the employee's credited service in an area with a cost-of-living geographic differential in order for that difference to be included in the employee's compensation for purpose of calculating retirement benefits. Prior to this change, the higher cost-of-living differential was included in compensation regardless of the length of time the individual spent in the area as long as it was part of the three highest consecutive years. Thus, to coincide with the retirement calculation, employees are transferred out to rural communities with a higher GPD to have the GPD included in their "three high" consecutive years for the retirement benefit calculation.

The retirement tier in effect when an employee was hired is similar to a contract between the retirement system and the employee. The conditions remain the same regardless of subsequent changes to the retirement plan or statutes. However, clarifications that change a provision and benefit of a PERS member can be an acceptable amendment to the retirement tier.

Retirement provisions are dictated in the Alaska Statutes

In order to calculate an employee's retirement, the Department of Administration evaluates the retiree's age, service, and compensation to determine the amount of retirement pay that person will receive. For this audit, we are concentrating on PERS correctional and probation officers.

PERS benefits are determined by a combination of age-based retirement and service-based retirement. A vested[3] person may retire at the ages listed below:

- Tier I - Age 55 for normal retirement or age 50 for early retirement.
- Tiers II and III – Age 60 for normal retirement or age 55 for early retirement.

COs and POs may also be able to retire at any age and receive a normal unreduced monthly pension benefit if they have 20 paid-up years of PERS service as a peace officer or firefighter.

[3] You will be vested when you have at least five years of creditable PERS service.

Example of the Effect of Geographic Pay Differential on Retirement Pay

Below is an example of the average monthly contribution (AMC) calculation for a correctional officer that is used to determine the individual's retirement benefit. This example is for a Tier I employee whose retirement pay is based on the employee's three highest consecutive years' salary[4]. This illustrates the AMC for a community with a 34% geographic pay differential (GPD) such as Nome, Alaska compared with an area without a GPD such as Anchorage.

	Salary from Nome (GPD of 34%)		Salary from Anchorage (No GPD)	
Year	**Salary**	**Months**	**Salary**	**Months**
2000	$74,675	12	$55,728	12
2001	72,890	12	54,395	12
2002	76,053	12	56,756	12
	$223,618	36	$166,879	36
Total AMC	$227,380 / 36 = **$6,212**		$201,000 / 36 = **$4,635**	

For Tier I and II employees (i.e.: those who first entered PERS before July 1, 1996), the AMC is determined by adding together the compensation that you earned during your three highest consecutive payroll years in contrast to Tier III, which considers the highest five years. [5]

PERS benefits for peace officers will be calculated using the following percentage multipliers:

- 2% per year for all service earned up to ten years; plus
- 2-1/2% per year for all service over ten years.

If you are a peace officer or fire fighter; or school district employee who has selected the alternate service option; then you have a different formula. All service earned before July 1, 1986 will be calculated using the 2% multiplier.

If a correctional or probation officer has worked for 20 years, the following schedule shows the monthly retirement amount with and without the differential.

Nome Employee (with GPD)				Anchorage Employee (without GPD)		
Multiplier	**Years**	**Total**		**Multiplier**	**Years**	**Total**
2% ($6,212)	10	$1,242		2 % ($4,635)	10	$ 927
2.5% ($6,212)	10	1,553		2.5 % ($4,635)	10	1,159
Monthly Total		**$2,795**		**Monthly Total**		**$2,086**

As shown in this example, the correctional officer or probation officer transferring to Nome, which has a 34% geographical pay differential, receives an additional $709 per month from the date of retirement until death regardless of the location where they choose to retire.

[4] Tier I employees – those hired before July 1, 1986 – include any geographic pay differential received during the highest three years of salary. In contrast, Tier II and III employees – those hired on or after July 1, 1986 – the GPD differential will be included in the AMC only if the employee received a GPD during at least 50% of their credited service.

[5] You must have at least 115 days of credited service in the last payroll year worked to include that year as one of your three or five highest.

Pension benefits follow a statutorily defined formula based upon employee's compensation

Compensation is defined in statute as remuneration[6] earned by an employee for personal services rendered to an employer. For DOC employees, compensation includes regular pay, shift differentials, overtime, and cost-of-living differentials also known as GPDs. However, the GPD may be included in the calculation of retirement benefits for employees under Tiers II and III in certain circumstances. In order for the cost-of-living differential to be included, the employee must have received a cost-of-living differential for at least 50% of the employee's credited service.

Some geographic pay differentials under all three bargaining agreements are as follows:

- Barrow -- 42%
- Kotzebue -- 42%
- Nome -- 34%
- Fairbanks -- 4%
- Bethel -- 38%
- Dillingham -- 27%

The normal retirement benefit for correctional or probation officers is calculated by multiplying a "percentage multiplier" by the average monthly compensation (AMC). AMC is based on the three highest consecutive payroll years.

The opposite page provides an example of the retirement calculation for a Tier I CO or PO. One example includes the geographic differential; the other excludes the geographic differential.

[6] Alaska Statute 39.05.680(8). "Remuneration earned by an employee for personal services rendered to an employer, including employee contributions under AS 39.36.160, cost-of-living differentials only as provided in AS 39.35.675, payments for leave that is actually used by the employee, the amount by which the employee's wages are reduced under AS 39.30.150(c), and any amount deferred under an employer sponsored deferred compensation plans …"

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REPORT CONCLUSIONS

Some correctional and probation officers are transferring to rural communities near the end of their careers to increase their retirement pay. Particularly in Nome, these employees are living only part-time in the community and have their primary residence elsewhere. This type of transfer has decreased the opportunities for hiring in the local communities and affects the ethnic makeup of correction and probation officers in these rural communities. The transfer of these employees does add an underfunded financial burden to the state's retirement system.

These conclusions are discussed in greater detail below.

DOC correctional and probation officers are transferring to rural areas to increase retirement

Correctional officers (CO) and probation officers (PO) are using the geographic pay differentials (GPDs) in Bethel, Nome, Kotzebue, and Barrow to increase their salaries and as a result their lifetime retirement benefits. Most commonly, Tier I employees (those hired before July 1, 1986) are transferring to the rural areas with the highest geographic pay differential late in their careers when they are in longevity steps.[7] Retirement pay for Tier I employees is based on the employees salary during their highest three years of earnings (including geographic pay differential). Tier II employees are also transferring to the rural communities; however, this was less frequent.

We identified 61 DOC employees (COs, POs, Assistant Superintendents, or Superintendents) who transferred to Nome, Bethel, Kotzebue, and Barrow over a ten-year fiscal year period from July 1, 1992 through June 30, 2002 presumably to achieve their high years for retirement purposes. Of these 61, we performed further analysis on 22[8] individuals; 13 who had retired and nine who have retirements set before December 31, 2004. Our analysis considered the individuals actuarial estimated life,[9] and receipt of a monthly retirement check throughout their estimated life. We determined that the retirement fund will pay an additional $4 million due to the inclusion of geographic pay differential in the employee's three high year earning's calculation.

Because this analysis includes only 22 of the 61, this is a conservative estimate. However, it is important to note that due to the more strict Tier II and Tier III requirements, fewer

[7] Of the 22 employees selected for detail analysis, their average tenure in the rural community was three to four years.

[8] The remaining 39 were not included in the analysis because:

- Transferees have retirement dates set past December 31, 2004.
- Transferees were Tier I employees who transferred to the rural area for less than two years.
- Transferees were Tier II or III employees who transferred to rural areas for under seven years.

[9] Actuarial estimated life is 72 years old for men, 75 years old for women.

correctional and probation officers are transferring. As of August 30, 2003 DOC has 884 correctional and probation officers. Of these COs and POs, 264 or 30% are Tier I.

Further, the practice of transferring to an area with a GPD is not unique to DOC as the GPD affects all state government positions located in rural areas including but not limited to the Departments of Public Safety, Law, Transportation and Public Facilities, and Fish and Game.

Inclusion of GPD factors in the salary base used to calculate retirement pay is unnecessary for employees who retire outside rural Alaska

The GPD was intended to address a need to provide additional cost of living compensation for living and working in high cost areas of Alaska, typically rural Alaska. However, the inclusion of the GPD factor in the compensation base used to calculate retirement pay, regardless of whether the former employee retires in rural Alaska, results in excessive retirement pay.

The U.S. General Accounting Office (GAO) issued a report in April 1997 titled *Federal and Private Sector Retirement Program Benefits Vary*.[10] The results of this study compared the retirement base pay of federal plans to private retirement plans. Our analysis shows that the State of Alaska retirement system compares more to the private sector than the federal defined benefit plan.

Definition of pay for defined benefit calculation for various organizations.

Private Sector	Federal Government	State of Alaska
Base Pay Overtime Bonuses Commissions Other Pay	Base Pay Only	Base Pay Overtime Geographic Differential

While the state has modified the circumstances of when GPD will be included in the compensation base on which retirement pay is calculated, additional modifications might be prudent. One option would be to exclude the geographic pay differential from compensation base pay used to calculate retirement benefit. Instead, provide a geographic differential as a cost-of-living adjustment for those who worked and still reside in specific areas of Alaska after retiring. See Recommendation No. 1.

Additionally, the GPDs in Alaska have not been formally evaluated since 1985. The director of DOA's Division of Personnel should consider the reasonableness of the current

[10] The report can be viewed at the General Accounting Office's webpage at http://www.gao.gov/. The report number is GAO/GGD-97-40.

geographic pay differentials and recommend to the legislature whether another geographic study should be performed. See Recommendation No. 7.

DOC hiring practices have disparate impact on some rural communities

DOC hiring practices for correctional officers are dictated by the union bargaining unit agreement, personnel rules, and management decisions. DOC's former management encouraged superintendents at rural correctional facilities to follow the transfer policy in the bargaining unit contract by transferring CO IIs instead of performing open recruitments for CO Is.[11] We found instances where open recruitments in rural areas could have been performed; however, a transferee was still chosen due to management's directive.

Although former DOC management required superintendents to follow the transfer policy, thus giving preferences to current COs wanting to transfer, the current administration's interpretation of the transfer policy has changed. As a result, correctional facility management can either fill a CO II position with a CO II, utilizing individuals who want to transfer, or fill it at a CO I level encouraging open recruitment and local hire.

This transfer policy practice impacts local hire differently in Bethel and in Nome. We found that Bethel not only hires local residents, they also have a large number of Alaska Native COs. We found that 62% of the current COs (16 of 26) are Alaska Native or American Indian. Additionally, since October 9, 2001, three of the five hires have been Alaska Native and four of the five hires have been local residents.

In contrast, local hire is very limited in Nome due to the number of employees wanting to transfer to the area – most often to obtain their high years of earnings for retirement purposes. There have been no open recruitments/local hires in five years and only five open recruitments resulting in local hires in the last ten years. Of 35 vacancies filled in the last ten years, 30 vacancies were filled by transfers. Currently, the superintendent of Anvil Mountain Correctional Center (AMCC) opened recruitment for a CO I at AMCC as only two individuals were on the transfer list. This practice deviates from the past administration's practice of requesting transfer over open recruitment.

DOC should develop a framework for CO hiring decisions, within the confines of the CO union agreement. The framework should address hiring priorities on a facility-by-facility basis and consider disparity issues. See Recommendation No. 2.

[11] Correctional Officer I and II positions are flex positions. If hired at a Correctional Officer I level, an individual must spend 14 months as a CO I prior to upgrading to a CO II position. However, a transfer can be brought in at a CO II level.

Not hiring locally may impact ethnicity of CO employee pool

Alaska Natives shown as a percentage of the total population.			
Location	Community	Inmate	COs
Bethel	68%	96%	62%
Nome	59%	99%	17%
Statewide	17%	37%	8.5% [12]

The transfer policy has a negative impact on local hire in Nome. Fifty-nine percent of Nome's population is Alaska Native,[13] yet the percentage of Alaska Native COs is significantly disproportionate to the population at 17%.

Recruiting locally would not necessarily guarantee that the new employees are representative of the same ethnic makeup of the community – in this case, Nome. However, all other things being equal, recruiting from a transfer list where less than 9% are Alaska Natives, rather than from the local community where the populations is almost 60% Alaska Native, is less likely to result in hiring of an Alaska Native. While the practice of recruiting from the transfer list is not intentionally discriminatory, it likely does impact the ethnic makeup of the correctional officers serving in Nome.

COs hotbunk[14] in rural communities as their families often stay in urban areas

Correctional officers are hotbunking in both Bethel and Nome. This lifestyle of living only part-time in the community is conducive to COs, not probation officers, as COs have the week on/week off schedules that allow that kind of flexibility. POs do not have the same type of schedule.

Currently, there are five COs in Bethel and six in Nome who hotbunk. These employees fly in to the community for their work week and fly out to their home community for their off-work week. They may bring in food from Anchorage and may not significantly participate in the community, but due to the small number of individuals who practice this lifestyle, the economic impact to the communities is minimal.

Correctional officers who hotbunk, occasionally use state-funded flights to return home

During FY 02 and FY 03 there was one instance where the state paid travel costs between Nome and Anchorage for a CO who hotbunks. This individual did not solicit the travel but instead was asked to escort a medically ill prisoner on the COs return to Anchorage for his week off. The state compensated this individual for one way of their 3-week advance travel

[12] Cited from the *Alaska Justice Forum*, Winter 2000 report.

[13] Our references to Alaska Native, includes a small number of Native Americans who are not indigenous to Alaska in addition to individuals reporting all or part Alaska Native/Indian.

[14] Hotbunk refers to sharing apartments in a community during employment weeks and residing elsewhere during off weeks. Most correctional officers work 7 days a week/12 hours a day totaling 84 hours during the work week. Most COs work a week on/week off schedule.

fare ($188) and paid overtime to and from Nome. The agency has agreed that the overtime back to his workstation should not have been paid and has agreed to adjust the overpayment.

Controls were weak over charter flights between various communities with correctional institutions. DOC contracted with a charter airline to fly prisoners between facilities due to security levels, medical concerns, offender treatment, and overcrowding. The Prisoner Transportation Unit (PTU) keeps a "move list" identifying each inmate who needs to be transported. Normally, a Prisoner Transportation Officer (PTO) from the PTU will accompany the charter from Anchorage and its various stops made in communities where inmates are delivered to, or picked up from, other facilities.

In three of 19 charter flights reviewed, DOC was unable to identify the PTO traveling on the charter flight. However, only one of the three flights was to a rural community and on a shift change day. That flight left Anchorage with two PTOs, picked up ten inmates in Bethel (traveling with 14 people shows two unknown individuals traveling), then traveled to Kenai and back to Anchorage. Although we could not substantiate whether individuals who hotbunk were traveling on these charter flights, DOC has not been able to identify the PTOs traveling, nor the other two individuals traveling between Bethel, Kenai, and Anchorage. See Recommendation No. 5.

Alaska Native correctional officers offer broader cultural understanding to native inmates

We found no studies confirming that an ethnicity-tie between COs and offenders results in a decrease in recidivism. However, many people we talked with during the audit identified that there are advantages to Alaska Native COs working with a primarily native inmate population. As an example, prisoners are able to identify more with local or Alaska Native COs and they have a better cultural understanding than COs of different ethnic backgrounds. Some interviewees believe that more interaction between native inmates and Alaska Native COs may provide for a more secure working environment. This is particularly beneficial in rural institutions with a primarily Alaska Native inmate population.

Correctional officers who have been convicted of misdemeanor domestic violence offenses have been allowed to work at DOC in violation of federal gun control laws

One CO has been employed by DOC for over six years without being certified by the Alaska Police Standards Council (APSC). This officer was not certified because he had been convicted of two misdemeanor domestic violence offenses. Effective September 30, 1996, the Federal Omnibus Consolidated Appropriations Act amended U.S. Code Title 18 Section 922 (g) to make it illegal for a person who has been convicted of a misdemeanor domestic violence offense to possess a firearm or ammunition. Because all COs and POs must be certified in the use of firearms, DOC and APSC changed their minimum qualifications to exclude individuals with these types of convictions. Although this minimum qualification change affected only new hires, the federal law applies to domestic violence offenses regardless of when they were committed.

DOC management stated that they recently became aware of the officer, referenced on the previous page, as well as three other officers at a different facility. They also stated that, to their knowledge, the previous DOC administration had not taken any steps to ensure compliance with the change to federal gun control laws.

Continuing to employ correctional and probation officers who have been convicted of misdemeanor domestic violence offenses causes the CO or PO to be in violation of federal law subjecting that CO or PO to possible criminal penalties of up to ten years in jail. By knowingly employing individuals in positions that require the use of firearms, the State of Alaska could potentially be liable for any problems associated with these officers. See Recommendation No. 3.

Hours worked at urban facilities by COs stationed at rural facilities are paid at a rate which includes a geographic pay differential

It is a common practice at DOC for COs to work at different facilities during their week off. This is due to short staffing at all facilities and a large number of COs who live in Anchorage/Mat Su and travel to work in Seward, Kenai, Bethel, and Nome. COs who work in Bethel and Nome receive higher wages due to a geographic pay differential (GPD) of 38% and 34% respectively. When these COs work at urban facilities on their week off, DOC pays them the same hourly wage that they receive in Bethel and Nome (including the GPD).

Alaska Statute 39.27.020 lists the areas in the state which will receive a GPD. This statute does not give specifics on how a GPD should be implemented. The inclusion of GPD for COs is outlined in the COs bargaining unit agreement. Section 21.2 of this agreement states that all members working in areas that have a GPD shall have the appropriate additional percentage added to their base rate of pay.

Because officers assigned to rural areas choose to work in urban facilities on their week off, they are not working in an area which receives a GPD. Thus, these officers should be paid at the urban rate which does not include a GPD. DOC is paying a GPD for hours worked in urban areas and thus is paying excess wages to COs. See Recommendation No. 7.

CO and PO rural recruitment efforts should be improved to meet current and future needs

Various concerns regarding CO and PO recruitment were expressed by many different individuals and groups including: correctional superintendents, correctional officers, probation officers, labor union representatives, Native organization members, research groups as well as from applicants applying for current positions. These concerns are as follows:

1. Rural PO shortage due to a lack of qualified local applicants and applicants willing to relocate.

Field probation offices are located in Barrow, Kotzebue, Nome, and Bethel. Additionally, institutional probation officers work at both AMCC in Nome and YKCC in Bethel. This exhibit shows the number of positions in Barrow, Nome, Kotzebue, and Bethel and the retirement status.

PCN	Location	Retirement Status
20-4412	Barrow	Eligible in 4 years
20-4427	Kotzebue	Eligible to retire
20-4438	Nome	Process of retiring
20-4233	Nome	Vacant
20-4235	Nome	Eligible in 12 years
20-4420	Bethel	Eligible in 3 years
20-4422	Bethel	Eligible in 12 years
20-4433	Bethel	Vacant
20-4443	Bethel	Vacant
20-5403	Bethel	Retiring in 3 months
20-4332	Bethel	Vacant
20-4333	Bethel	Eligible in 1 year

As shown, only four of the 12 rural probation officers have an expected tenure beyond two years. Four of the 12 positions are vacant; two will be vacant within three months; two others are eligible to retire within a year. This will leave half of the positions vacant within one year if DOC is unable to fill these positions.

These shortages are due primarily to two problems. The first problem is that historically, urban Tier I POs were motivated to transfer out to rural positions for three years in order to increase their retirement benefits through a geographic pay differential. Since most of these individuals have already retired or will be eligible to retire within the next few years, DOC will not be able to rely on these employees to staff rural PO positions. The second problem is that PO positions require a college degree or specific work experience, and there is a shortage of individuals in these rural areas who meet the minimum qualifications for these positions.

2. Few prequalified CO applicants in Nome due to no local hire in over five years

In order to apply for CO positions, applicants must first become precertified by the DOC human resources section. This process involves written applications, background checks and a written test. This process takes at least three months to complete. Applicants remain precertified for three years.

In Nome, there has not been a local CO hire in five years. Further, there have only been five local hires in the past ten years. Because of this, very few applicants have become precertified. As discussed in previous conclusions, there are many benefits to staffing rural facilities with local individuals. Due to the lack of precertified applicants, DOC would have a difficult time accomplishing this task.

We encourage DOC to increase recruitment efforts, especially for rural communities. See Recommendation No. 4.

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FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

Future retirement plans should consider excluding geographic pay differentials (GPD) from average monthly compensation used to calculate retirement benefits. As an alternative, GPDs could be used as a post retirement cost-of-living allowance. Further, the flexibility of the GPD as stated in statute for Tier II and III employees should be clarified.

Several issues were identified with regard to use of the GPD. Due to the nature of the issues, any changes would require statutory modification. Additionally, any modifications would be effective only for those employees hired after the effective date of the statutory change. The issues identified are:

1. The GPD should not be included in the average monthly compensation used to calculate employee retirement benefits.

   Tier I employees working in certain areas receive a GPD in their salary for living in a community with a higher cost-of-living. Additionally, the GPD is considered as part of their average monthly compensation used to calculate their retirement salary if they earn the GPD within their three high years. Tier II and III employees, per AS 39.35.675, will not have the GPD included in the employee's average monthly compensation for purposes of calculating the retirement salary unless the employee received a differential during at least 50% of their credited service.

   The federal government uses only base pay to calculate retirement benefits. Whereas, the State of Alaska, similar to private sector retirement plans, includes other pay such as GPD and overtime to calculate the benefit.

   Based on our analysis of 22 transferred employees, the state will pay an additional $4 million over the lifetime of the retirees in monthly retirement salaries due to the geographic differential inclusion in the calculation of benefits. Reducing the average monthly compensation to exclude the GPD from the retirement calculation will likely save the state millions of dollars in future retirement costs.

   A change such as this would also require a change in the calculation of the employee contributions to the retirement fund. Currently, peace officer employees contribute 7.5% of their compensation, including the GPD, to the retirement fund.[15] The employee's calculation would need to be based upon the base pay which would exclude the geographic differential.

[15] If an employee contributes to the GPD and the GPD is not included in the retirement benefit, the amount contributed is refunded to the employee.

2. The GPD could be included in the retirement benefit when retiring in rural Alaska.

   Inclusion of a GPD adjustment in the calculation of post-retirement salaries is essential for those retirees who worked and chose to remain in their respective rural communities. This is necessary due to the increased cost-of-living in these rural communities.

   Currently, retirees staying in Alaska are allowed a 10% cost-of-living adjustment (COLA). However, this is considerably less than what it actually costs to live in the rural Alaskan community. Therefore, as an alternative to the current COLA, an additional cost-of-living GPD in the post-retirement payment will ensure those individuals living in the rural areas get the allowance entitled to them. This additional COLA could be based on the current GPD percentages for each of the rural areas or some other form of adjustment equitable to each area. For example: A Nome resident currently gets the 10% COLA for residing in the state of Alaska. An additional COLA of 34% (current GPD rate) could be added to their retirement as an increased cost-of-living in Nome.

3. Some Tier II and Tier III employees still have an incentive to transfer to rural communities to increase their retirement pay.

   Tier II and III employees, per AS 39.35.675, will have GPD included in their retirement calculations as long as 50% of their credited services is in a community with a geographic differential. An employee working predominately in a community with a low GPD (Fairbanks for instance, at a GPD of 4%) can transfer to a community with a higher GPD (Nome for instance, at a GPD of 34%). As long as 50% of the employee's service occurred in Fairbanks and Nome, then the employee's retirement pay is calculated based on the highest three years of salary – including GPD.

   So while the changes in Tier II and Tier III substantially reduced the incentive for employees working in areas without a GPD from transferring to an area with a high GPD as a boost in retirement pay, that type of incentive remains for those employees working predominately in a low GPD area of the state.

Future retirement plans should consider excluding GPD from the average monthly compensation used to calculate retirement salaries for individuals transferring out to the rural community to increase their retirement pay. Rather, provide a geographic differential as a cost-of-living adjustment for those who worked and still reside in specific areas of Alaska after retiring.

Recommendation No. 2

DOC's human resources manager should develop a framework for Correctional Officer (CO) hiring decisions, within the confines of the Alaska Statutes and the COs union agreement.

Both union representatives and DOC management believe the PSEA COs bargaining union contract is ambiguous as to whether certain CO positions should favor transfers from other

facilities or whether open recruitment at an entry level can be pursued. Former DOC management had an unwritten policy that CO transfer from facilities should be given a preference over open recruitment at a CO I or CO II level. This practice has impacted local hire in the rural community of Nome where there has not been a local hire in the last five years and only five local hires in the last ten years.

The transfer section of the bargaining unit contract discusses preferences for CO II and CO III positions as follows:

> *Except*[16] *as provided for in this Article, the three (3) most senior members on the list based on the most current quarterly seniority list shall receive first consideration and will be afforded the opportunity to be interviewed for a vacancy. The Superintendent or Facility Manager attempting to fill a vacancy shall interview each of the three (3) most senior members before filling the vacancy. If less than three (3) candidates are on the list, the hiring manager may work a new hire list concurrently. For CO III vacancies, the hiring manager may elect to work the transfer list or the competitive list or both concurrently.*

The vagueness lies in the interpretation of the policy. Management has the capability to flex all CO II positions to CO I positions. Therefore, transfer recruitment can be considered, or open recruitment at a CO I level can be considered.[17] The decision of current management is to hire into CO I positions at the entry level on a case-by-case basis. The union's position is to abide by the transfer agreement but emphasize the need for local recruitment in the rural areas.

The CO bargaining unit contract does and should continue to give the department sufficient flexibility. The current administration has the opportunity to develop staffing policies by facility with the intent of addressing what is in the best interest of each facility. The facility-by-facility framework should be considered in lieu of a restricted statewide transfer preference in accordance with the CO bargaining unit agreement. Factors to consider in the staffing policy of each facility should include need for continuity of CO staff, need for more experienced staff, and the impact of high turnover. Examples of staffing scenarios include:

1. Alternating local and transfer recruitment in urban communities, addressing concerns of the bargaining union as well as need to fill positions as soon as possible.

2. Perform open recruitment for rural facilities with the option of working the transfer list initiated exclusively by the Superintendent of the facility.

[16] The exceptions include limiting names based on specific need at the facility (i.e. male/female officer), hardship transfers, and direct appointment to a vacant position. Further, the hiring manager can fill vacancies through voluntary demotion rather than working the transfer list. These exceptions are infrequently used.

[17] The contract is silent with regard to the hiring of CO I positions.

3. Providing incentives to encourage more experienced staff at facilities housing maximum facility prisoners.

We recommend the DOC Human Resource manager develop staffing scenarios on a facility-by-facility basis.

Recommendation No. 3

DOC's directors of Institutions and Probation and Parole should take steps necessary to ensure that correctional and probation officers are in compliance with federal gun control laws.

Effective September 30, 1996, the Federal Omnibus Consolidated Appropriations Act amended U.S. Code Title 18 Section 922 (g) to make it illegal for a person who has been convicted of a misdemeanor domestic violence offence to possess a firearm or ammunition. Because all correctional and probation officers must be certified in the use of firearms, DOC and Alaska Police Standards Council (APSC) changed their minimum qualifications to exclude individuals with these types of convictions.

DOC is employing multiple COs in violation of federal gun control laws due to these officers having been convicted of misdemeanor domestic violence offenses. Additionally, DOC has not taken steps to verify that all COs and POs are in compliance with the law. Further, DOC needs to confirm that existing correctional and parole officers are not disabled from possessing firearms due to misdemeanor domestic violence offenses.

DOC's directors of Institutions and Probation and Parole should take steps necessary to ensure that correctional and probation officers are in compliance with federal gun control laws.

Recommendation No. 4

DOC's director of Administrative Services should increase correctional and probation officer recruitment efforts for rural communities.

DOC is faced with many staffing challenges. These include a shortage of POs in rural locations and a shortage of COs in Nome. The reduction in the number of Tier I employees is a factor as there will no longer be a financial incentive for more experienced COs to transfer out for just three years to get the increased retirement. A second factor for POs specifically has to do with the limited number of individuals with the appropriate educational requirements or necessary experience.

Additionally, in Nome there has not been a local CO hire in five years and only five local hires in the past ten years. Because of the limited local hires, very few applicants have become precertified to be a CO; a requirement to be hired. As discussed in the conclusions, many benefits can be realized by the local facilities by staffing rural facilities with local

individuals. Due to the lack of precertified applicants, DOC would have a difficult time realizing these benefits.

The staffing challenges are also caused by a lack of advertising by DOC to attract new recruits. In recent years, DOC's recruitment efforts have largely been limited to posting information on the DOC website, posting positions on Workplace Alaska, and attending high school career days and job fairs. DOC has not budgeted funds for recruitment activities or advertising.

DOC's director of Administrative Services should increase recruitment efforts by considering the following:

1. Advertising in magazines, on television, as well as through other media. The Alaska State Troopers have budgeted funds specifically for this purpose. They have been successful in attracting more qualified applicants through these efforts.

2. Working with Native organizations to create mentoring, job-shadowing, or scholarship programs. Native organizations could use outreach efforts to encourage local individuals to apply, in turn increasing the base of qualified applicants.

3. Flexing the criminal justice technician to a PO to provide a career path in rural communities with more than one position.

Recommendation No. 5

DOC's director of Administrative Services should strengthen internal controls over travel and prisoner transportation.

The Alaska Administrative Manual (AAM) provides specific guidance on travel policies of the state and more specifically, proper approvals prior and subsequent to travel. Additionally, AAM 35.150 describes unauthorized expenditures as those generally not essential to state operations. In many cases, the unauthorized expenditure will appear to benefit the individual employee as much as, if not more than, the state. Two primary weaknesses were identified with regard to travel expenditures as follows:

1. Prisoner Transportation Unit (PTU) contract expenditure payment controls are weak

   Prisoners are moved between prisons for a number of reasons including, but not limited to, overcrowding, security level, medical reasons, and offender treatment needs. During FY 02 and FY 03, DOC contracted with an Anchorage vendor to provide air charter transportation as a necessary means to address prisoner transportation needs. Prisoner transportation officers accompany the prisoners in the contract aircraft.

Three of 19 air charters occurring during FY 02 and FY 03 did not have adequate support to identify the prisoner transportation officers traveling with the prisoners. Transaction details are as follows:

Charter Travel Destinations	Date	Amounts
Anchorage/Bethel/Kenai/Anchorage	October 24, 2001	$6,962
Anchorage/Bethel/Kenai/Anchorage	November 20, 2001	$6,766
Anchorage/Juneau/Kenai/Anchorage	November 11, 2001	$8,841

In two of the three instances, DOC was able to identify prisoners by contacting the Yukon Kuskokwim Correctional Center (YKCC) in Bethel; however, both PTU and YKCC were unable to recall the prisoner transportation officers who accompanied the inmates. Normally, the transportation officers and inmates are accounted for in a departmental data base from documentation called move lists.

In the third instance, DOC could not identify or find documentation of the prisoners or transportation officers who traveled on the flight.

In order to meet the AAM requirements, expenditures must be determined to be necessary and reasonable. However, without adequate documentation such as inmate or prisoner transportation officer names, reasonableness of the transportation cannot be verified. As an example, one of the three flights occurred on a shift change day. Thus, allegations that COs who hotbunk are using prisoner transportation flights to travel either to or from their worksite may be true without verification that the allegation is false.

2. Lack of approvals on travel authorizations and expenditure transactions

Two of 27 travel authorizations lacked an approval signature, and one of 27 lacked the claimant's signature. Additionally, two transportation invoices contained no approval signatures and a second invoice was approved by the same person who approved the delivery order. These instances show a weakness in travel processing by DOC.

The agency should adequately document the names of the inmates and prisoners traveling on charter flights between the various DOC correctional centers. Additionally, we recommend that DOC improve controls over processing travel authorizations and payment of expenditures.

Recommendation No. 6

The director of the Division of Administrative Services should not include a GPD to rural facility COs working at urban facilities on their week off.

Three rural COs who have, on occasion, worked at urban correctional centers during their week off were identified. These COs are receiving a pay rate that includes a GPD for hours worked at urban facilities during their off week. DOC over paid wages by more than $2,470 for hours worked at urban facilities.

The agency stated they paid the employees' established wage, which includes the geographical differential, as the policy in the CO bargaining unit agreement is not clear regarding GPDs in relation to wages worked in urban facilities.

DOC's director of Administrative Services should collect overpaid wages. Additionally, the COs bargaining unit agreement should clarify that COs assigned to rural areas will be paid a geographic differential only when performing the duties at a rural facility.

Recommendation No. 7

The director of the Department of Administration (DOA) Division of Personnel should consider conducting a cost-of-living survey.

DOA has not performed a cost-of-living study since 1985. The cost-of-living study is often used to support differentials paid to State employees in rural locations. Without a current study, differentials paid to state employees may be inappropriate.

AS 39.27.030 states:

> *Subject to an appropriation for this purpose, the director shall conduct a survey, at least every five years, to review the pay differentials established AS 39.27.020. The survey may address factors, as determined by the director, that are also relevant in review of state salary schedules, entitlement for beneficiaries of state programs, and payments for state service providers. The survey must reflect the costs of living in various election districts of the state, and Seattle, Washington, by using the cost-of-living in Anchorage as a base. In this section, "election district" has the meaning given in AS 39.27.020.*

The Department of Labor, Alaska school districts, and various communities conduct both cost-of-living and market basket studies. The director of Personnel should analyze these other geographic differential studies and determine if a current geographic differential study is warranted.

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Appendix A

Alaska Division of Retirement & Benefits
Public Employees' Retirement System Plan Comparison Chart for Peace Officers and Fire Fighters as of September 8, 2003

Tier I 1/1/61 - 6/30/86	Tier II Entered on or after 7/1/86	Tier III Entered on or after 7/1/96
After tax employee contribution: 5% for peace officers and fire fighters	Pre-tax employee contribution: 7.5% beginning 1/1/87—peace officers and fire fighters	No change from Tier II.
Members vest with 5 years of service.	No change.	No change.
Peace officers and fire fighters can retire at any age after 20 years of peace officer and fire fighter service.	Police officers and fire fighters can retire at any age after 20 years of peace officer and fire fighter service.	Generally, no change from Tier II. However, early retirement reduction will be ½% per month or 6% per year for every year less than the required normal retirement age.
Benefit formula for peace officers and fire fighters is 2% X 10 (for first 10 years), and 2.5% over 10 years.	No change to peace officers and fire fighters.	The benefit calculation for peace officers and fire members is the average of the high **three** consecutive years regardless of tier (effective 2002).
An Alaska Cost-of-Living Allowance is payable to benefit recipients who remain domiciled in Alaska after retirement. The allowance is $50 or 10% of the base benefit, whichever is greater.	An Alaska Cost-of-Living Allowance is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is $50 or 10% of the base benefit, whichever is greater.	No change from Tier II.
Medical coverage is provided to all benefit recipients and their eligible dependents. The retiree health plan premium is paid by the retirement system.	Medical coverage is provided to peace officer and fire fighter members with 25 years of police/fire service and their eligible dependents. The retirement system pays the retiree health plan premium. Benefit recipients under age 60 must pay the full premium cost if they want coverage.	Same as Tier II. However, employees must accrue a minimum of 10 years of **credited service***, to have system-paid coverage at age 60. Employees with less than 10 years must pay the full premiums as long as they wish to continue medical coverage.

*Credited service includes all service used in the calculation of a retirement benefit.

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DEPARTMENT OF CORRECTIONS

Commissioner's Office

November 28, 2003

Legislative Budget and Audit Committee
Division of Legislative Audit
Attention: Ms. Pat Davidson
P.O. Box 113300
Juneau, Alaska 99811-3300

Dear Ms. Davidson,

The preliminary audit report on, "Departments of Corrections and Administration, Correctional Officer and Probation Officer Transfer Analysis," dated October 9, 2003, contains five findings and recommendations for the Department of Corrections.

Finding and Recommendation No. 2

DOC's human resource manager should develop a framework for Correctional Officer (CO) hiring decisions, within the confines of the Alaska Statutes and the CO's union agreement.

The Department of Corrections concurs with finding and recommendation No. 2.

The transfer policy in the current CO contract is ambiguous. The State of Alaska is currently in negotiations with the CO union for a new contract which if agreed to will begin July 1, 2004. The language in the new contract may clear up any ambiguities. The current DOC human resource manager, the director of Institutions, the director of Administrative Services and the superintendent of DOC's largest correctional center are on the state's negotiating team.

The current human resources manager has been working closely with DOC's director of Institutions to establish a framework for CO hiring decisions which takes into consideration issues which arise from the geographical dispersal of correctional facilities including; ethnicity of the workforce, availability of workforce in different areas of the state, the mission of DOC and the mission of each facility. With the change to a centralized HR function for the State of Alaska DOC will continue to work with the new organization to achieve that goal.

Finding and Recommendation No. 3

The DOC directors of Institutions and Probation and Parole should take steps necessary to ensure that correctional and probation officers are in compliance with federal gun control laws

The Department of Corrections concurs with finding and recommendation No. 3.

The current hiring practice prevents any CO's or Probation Officers (PO's) with domestic violence convictions from being hired. The concern is for CO's and PO's hired before the effective date of the federal law and those who made have been convicted during their tenure of employment. Prior to the involvement of Legislative Audit, DOC's human resource office identified to DOC management the existence of CO's who are employed in violation with federal gun laws. DOC has taken steps to identify those CO's and PO's who may be in violation by sending a questionnaire to all existing CO's and PO's and will be following up with additional background checks where appropriate.

In some cases prior DOC management knowingly allowed some of these persons to continue employment DOC is working with the Department of Law and with the Department of Administration, Division of Personnel to determine what employment rights the individuals may have and to take proper action.

Finding and Recommendation No. 4

DOC's director of Administrative Services should increase correctional and probation officer recruitment efforts for rural communities.

The Department of Corrections concurs with finding recommendation No. 4.

DOC management has identified recruitment as the number one priority for both Institutions and Probation and Parole. Rural recruitment is an important part of that needed effort.

DOC has established a working group of correctional superintendents and probation supervisors that have been tasked with putting together a recruitment plan, including media advertising and directed recruitment efforts. DOC is working with OMB to establish a specific budgetary allocation for recruitment efforts.

Finding and Recommendation No. 5

DOC's director of Administrative Services should strengthen internal controls over travel and prisoner transportation.

The Department of Corrections concurs with finding and recommendation No. 5.

The Division of Administrative Services has strengthened and will continue to strengthen internal controls over travel and other expenditure payment controls including prisoner transportation contracts. Administrative Services has provided or made available training to all administrative and management staff in the department to help ensure that travel is documented properly and that all administrative processes are consistent throughout the department.

Finding and Recommendation No. 6

The director of the Division of Administrative Services should not include a GPD to rural facility CO's working at urban facilities on their week off.

The Department of Corrections concurs with finding and recommendation No. 6.

The DOC's payroll supervisor has been instructed to not pay GPD to CO's who are working at urban facilities on their week off. Discussions have been initiated with the CO union (PSEA) in regard to clarifying the agreement and collecting overpaid wages. It is not clear at this time whether collection of overpaid wages will result in employee grievances and what the outcome of those grievances might be.

Sincerely,

Marc S. Antrim
Commissioner

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November 20, 2003

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for the opportunity to respond to the management letter related to your audit of the Correctional and Probation Officer Transfer Analysis. Although most of the audit relates to operations outside of the Department of Administration, two of your recommendations pertain directly to programs administered by the Department of Administration and the following response addresses those findings.

Recommendation No. 1

Future retirement plans should consider excluding geographic pay differentials (GPD) from average monthly compensation used to calculate retirement benefits. As an alternative, GPDs could be used as a post retirement cost-of-living allowance. Further, the flexibility of the GPD as stated in statute for Tier II and III employees should be clarified.

The recommendation goes on to make three specific points:

- The GPD should not be included in the average monthly compensation used to calculate employee retirement benefits.
- The GPD could be included in the retirement benefit when retiring in rural Alaska.
- Some Tier II and Tier III employees still have an incentive to transfer to rural communities to increase their retirement pay.

AS 39.35.675 was amended in 2001 to delete "in a comparable amount or of at least that many steps" from subsection (b) of this section upon recommendation of the Department of Law. A review of how geographic differential is actually earned by employees revealed it would be difficult, if not impossible, for the division to fairly determine the comparable amount of differential consistently for every State of Alaska employee. Depending upon the member's circumstances and how many years were spent in areas of high or low geographic differential, a member could be harmed by the application of this statute. The legislature amended AS 39.35.675 to retain the requirement that at least one half the member's service time has included

geographic differential pay but removed the problematic language regarding a comparable amount or of at least that many steps.

Should legislation be introduced to add further restrictions to the geographic differential, the language will have to clearly define the term “comparable amount." Using the phrase “or of at least that many steps” is unclear as some bargaining units do not award geographic differential based on “steps” but do so based on a percentage of pay. As mentioned in the report, an amendment of this type would only affect members enrolled in PERS after the effective date of the amendment. All other members would retain their rights to have the benefit calculated under existing statute under the Hoffbeck v. Hammond case.

Eligible retirees already receive a yearly cost of living adjustment to their retirement benefit based upon the change in the consumer price index in the Anchorage area. Extending an additional type of geographic differential to include any area in the state, especially rural areas, is problematic. The Department of Labor does not rate all areas in the state for change in cost of living. The division would not have the necessary information to determine what an appropriate cost of living increase may be. Even if the information was available, it would require extensive reprogramming of the division’s computer system to enable payment of this additional benefit based on the location of the retiree.

A cost of living increase of this type would be based upon residency, not only in the state but also in a rural area. Retirees who worked in rural areas some or all of their careers but subsequently moved out of state would be in a position to challenge the amendment based on the residency requirement. The division is currently involved in litigation regarding the residency-based Alaska Cost of Living Allowance.

Recommendation No. 7

The director of the Department of Administration (DOA Division of Personnel should consider conducting a cost-of-living survey.

As noted in the report AS 39.27.030 states that, subject to an appropriation, the director shall conduct a survey, at least every five years, to review the pay differentials established in AS 39.27.020. The last survey, completed in 1986, cost $425,000. We anticipate that the cost of such a survey today will substantially exceed that amount. The director, however, concurs with the recommendation and the Department of Administration may explore options for performing a survey as suggested by your recommendation.

Thank you again for the opportunity to comment on your recommendations.

Sincerely,

Mike Miller
Commissioner

cc: Ray Matiashowski
Deputy Commissioner

Kevin Jardell
Assistant Commissioner

Eric Swanson, Director
Division of Administrative Services

Melanie Millhorn, Director
Division of Retirement and Benefits

Dianne Corso, Director
Division of Personnel

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