



**HOUSE OF COMMONS
CANADA**

**CHAPTER 7, ECONOMY AND EFFICIENCY OF
SERVICES - CORRECTIONAL SERVICE CANADA
OF THE DECEMBER 2008 REPORT OF THE
AUDITOR GENERAL CANADA**

**Report of the Standing Committee on
Public Accounts**

**Hon. Shawn Murphy, MP
Chair**

JUNE 2009

40th PARLIAMENT, 2nd SESSION



The Speaker of the House hereby grants permission to reproduce this document, in whole or in part for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

If this document contains excerpts or the full text of briefs presented to the Committee, permission to reproduce these briefs, in whole or in part, must be obtained from their authors.

Also available on the Parliament of Canada Web Site: <http://www.parl.gc.ca>

Additional copies may be obtained from Publishing and Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5
Telephone: 613-941-5995 or 1-800-635-7943
Fax: 613-954-5779 or 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
<http://publications.gc.ca>

**CHAPTER 7, ECONOMY AND EFFICIENCY OF
SERVICES - CORRECTIONAL SERVICE CANADA
OF THE DECEMBER 2008 REPORT OF THE
AUDITOR GENERAL CANADA**

**Report of the Standing Committee on
Public Accounts**

**Hon. Shawn Murphy, MP
Chair**

JUNE 2009

40th PARLIAMENT, 2nd SESSION

STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIR

Hon. Shawn Murphy

VICE-CHAIRS

David Christopherson

Daryl Kramp

MEMBERS

Bonnie Crombie

Luc Desnoyers

Meili Faille

Yasmin Ratansi

Andrew Saxton

Bev Shipley

John Weston

Terence Young

CLERK OF THE COMMITTEE

Joann Garbig

LIBRARY OF PARLIAMENT

Parliamentary Information and Research Service

Andrew Kitching

Alex Smith

THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

FIFTEENTH REPORT

Pursuant to its mandate under Standing Order 108(3)(g), the Committee has studied Chapter 7, Economy and Efficiency of Services - Correctional Service Canada of the December 2008 Report of the Auditor General of Canada and has agreed to report the following:

INTRODUCTION

Correctional Service Canada (CSC) is responsible for the custody and care of criminal offenders sentenced by the courts to serve two years or more. It provides custody and care to approximately 14,000 men and 500 women in 58 institutions and 16 community correctional centres across Canada. In 2007-2008, CSC's budget was \$1.87 billion, of which \$570 million was spent on guarding prisoners and \$72 million was spent on food, cleaning and clothing. The Agency employed more than 15,000 people in 2007-2008.

When running a large organization such as CSC, it is important to ensure that its operations are efficient and economical. This is especially important in government organizations that procure large quantities of goods and services. With this issue in mind, the Office of the Auditor General of Canada (OAG) conducted an audit of whether CSC managed resources and goods used in providing security services, and the procurement and delivery of institutional services, with sufficient attention to economy and efficiency.¹

As the Public Accounts Committee believes that economy and efficiency are fundamental objectives when handling public funds, the Committee held a meeting on this audit on 12 March 2009.² The Committee met with several officials. The Office of the Auditor General was represented by Hugh McRoberts, Assistant Auditor General; and Gordon Stock, Principal. Correctional Service Canada was represented by its Commissioner, Don Head.

PROGRESS REPORT

In the audit, the OAG made five recommendations on how CSC can improve the economy and efficiency of its operations. CSC agreed with all of the recommendations and gave detailed responses on how it would implement the recommendations. In addition, CSC presented the Committee with an action plan that provided details on the status of planned actions, and commented on current initiatives.

¹ Auditor General of Canada, December 2008 Report, Chapter 7, *Economy and Efficiency of Services—Correctional Service Canada*.

² House of Commons Standing Committee on Public Accounts, 40th Parliament, 2nd Session, Meeting 10.

The clear acceptance of the OAG's recommendations, detailed management responses, and the action plan all demonstrate CSC's commitment to implementing the recommendations. In fact, Don Head, the Commissioner of CSC, told the Committee that all elements of CSC's action plan will be completed over the coming fiscal year, which ends on 31 March 2010. The Commissioner said:

Correctional Service Canada and I personally have found the [Auditor General's] report to be extremely useful in pointing to areas to which we need to give a lot of time and attention. We clearly understand the need for the three-part balance reported on by the Auditor General, and we're committed to moving forward. We also are committed to using our transformation agenda as a vehicle for looking at further economies and efficiencies as we move into the future, and I look forward at any point in the future to coming back and reporting to this committee the progress we've made against our plans.³

The Committee is pleased with CSC's commitment to make the necessary changes to improve the economy and efficiency of its operations. The Committee would like to take up the Commissioner's willingness to report progress and recommends:

RECOMMENDATION 1

That Correctional Service Canada provide the Public Accounts Committee with a status report by 30 April 2010 of progress in implementing the Office of the Auditor General's recommendations contained in Chapter 7 of the December 2008 Report.

ACHIEVING ECONOMY AND EFFICIENCY IN PROCUREMENT

In its 2007-2008 *Report on Plans and Priorities*, CSC stated that in response to management challenges, such as the changing characteristics of the inmate population and rising non-discretionary costs, the Agency has had to constantly review and adjust its expenditures to meet its most urgent needs. CSC concluded that it had exhausted its ability to reallocate resources to meet current and future challenges.⁴ However, the audit by the OAG found numerous ways that CSC could improve the efficiency and economy of its operations, and thus find savings that could be reallocated

³ Meeting 10, 17:15.

⁴ Correctional Service Canada, 2007-2008 *Report on Plans and Priorities*, page 15.

to other priorities. This was especially evident in the procurement of goods and services.

CSC has the responsibility to provide for the basic needs of offenders housed in its institutions and to supply uniforms for correctional officers. In 2007-2008, CSC spent \$71.7 million procuring food, cleaning, and clothing services. The OAG expected that CSC would develop national policies, standards, procedures and practices to promote the economical management of these services. The audit found, though, that with the exception of clothing, CSC had not analyzed its needs at the national level to determine the required overall demand for goods. Instead, each of the 58 institutions analyzes its needs and makes most procurement decisions independently.

With respect to food, the OAG found that CSC had not assessed whether it could achieve savings from economies of scale and fewer contracts.⁵ Yet, other sectors, such as hospitals and hotels, have reported that significant savings can be achieved through systematic monitoring and analysis of food purchases, including extended contract agreements. CSC had also not analyzed whether preparing food in-house is more economical than contracting for food services.

Like food, most purchasing decisions for cleaning products are made by individual institutions, and CSC had not performed sufficient analysis to determine if the current procurement process is the most economical, and whether savings could be achieved through higher-volume purchasing.⁶

Unlike food purchases, CSC manages most clothing purchases at the national level and contracts are the result of a competitive process. However, CSC had not compared its clothing distribution practices with industry practices.⁷

The OAG recommended that CSC collect sufficient information and conduct analyses of its procurement of food, cleaning and clothing services.⁸ In addition, CSC should examine cost-saving alternatives based on the volume of its

⁵ Chapter 7, paragraph 7.26.

⁶ *Ibid.*, paragraph 7.30.

⁷ *Ibid.*, paragraph 7.37.

⁸ *Ibid.*, paragraph 7.38.

purchases. In response, CSC agreed to review its practices and establish national guidelines on the economical procurement of goods.

Overall, the OAG concluded that CSC focuses much of its effort on safety and security and does not pay sufficient attention to economy and efficiency. The Committee agrees that economy and efficiency are important objectives that should be given adequate attention, but the Committee notes that safety and security must be paramount concerns for CSC, and that efforts to achieve greater economy and efficiency in the management of operations should not be at the expense of either safety or security.

Nonetheless, the Committee is concerned that basic management practices with respect to economy and efficiency have not been followed by CSC. Instead of allowing each institution to arrange its own procurement, it should be fairly evident that economies of scale could be achieved for a national institution by utilizing higher-volume purchasing. The fact that hospitals have been able to achieve greater economy in the procurement of goods and services should demonstrate that CSC can benefit from practices adopted by other public sector organizations. For example, several organizations in Quebec, notably Sainte-Justine Hospital and Hydro-Quebec, run innovative food and cafeteria services. The Committee is surprised that CSC had done only limited analysis on how to achieve savings in its procurement of food, cleaning, and clothing services. It appears that CSC has not been following some basic practices, such as monitoring the amount of waste to determine whether greater efficiencies could be achieved.

According to the audit, the management of CSC devotes much of its time and energy to staying within its appropriation from Parliament, rather than seeking innovative ways to achieve economy and efficiency. The Committee believes that CSC needs to learn from other organizations, both in the private and public sector, about how to improve its procurement practices. The Committee recommends:

RECOMMENDATION 2

That Correctional Service Canada seek to improve the economy and efficiency of its procurement by adopting best practices used by organizations in both the public and private sectors.

At the same time, the Committee recognizes that individual CSC institutions have a strong presence in many communities in Canada. The procurement of goods and services by CSC institutions may form a significant part of local economies. The Committee is concerned that an abrupt change from local to national procurement could have significant adverse effects in some communities, which would be especially difficult during the current economic downturn. Additionally, national procurement could adversely affect the environment as goods would have to be shipped over greater distance rather than purchased locally.

When asked whether they had examined this issue in their audit, Hugh McRoberts of the OAG replied, "Certainly we would have expected that local business issues versus national issues, all of those issues, would have been on the table in the type of analysis that we would have expected to see, but which simply were not there."⁹ In other words, in order for CSC to decide whether to procure goods locally or nationally, it must first do an analysis of the issues involved, which it had not done. The Commissioner noted that it may be more economical to purchase some goods locally. He said:

Again, as we go through this review and analysis of our food needs and the best way of being economical and efficient in procuring those goods, there will be times when we'll identify certain goods as better procured, and more efficiently and more cheaply procured via local purchases. The Auditor General wasn't suggesting that everything be a national purchase. Things that are more perishable are probably going to be purchased locally, as opposed to the other goods that can be maintained. But we have to finish that assessment to determine the right balance.¹⁰

The Committee agrees that it is important to find the right balance, but CSC needs to conduct a thorough analysis in order to determine where that balance lies. Consequently, the Committee recommends:

RECOMMENDATION 3

That when it conducts its review of the costs of procurement and delivery of food, cleaning, and clothing services, Correctional

⁹ Meeting 10, 16:00.

¹⁰ Meeting 10, 16:35.

Service Canada also analyze the impact of its procurement practices on local economies and the environment.

MANAGEMENT OF OVERTIME

The audit found that CSC had not paid sufficient attention to economy in the management of overtime. According to the audit, the total volume of overtime is high, overtime expenditures continue to increase, and for the past six years, actual overtime costs have substantially exceeded their budgeted amount.¹¹ Yet, CSC management had not developed an overall strategy or policy designed to monitor and appropriately budget for the amount of overtime.

In its response to the OAG's recommendation on overtime, CSC commits to enhancing its monitoring and analysis of expenditures and alternatives to overtime.¹² However, it is not clear whether CSC is addressing some of the underlying causes of its overtime costs. According to the audit, this includes officers being on unscheduled leave or on training, the need for officers to escort inmates to hospitals and courts, the need to keep certain criminal groups separate from others, and a lack of money for additional positions.¹³

One area that may have led to the increase in overtime costs is sick leave. Mr. Head told the Committee that the use of sick leave has increased over the past few years, and the current average is about 17 days for each correctional officer. When an officer is on sick leave, another officer must take his or her place and is usually paid at the overtime rate.

When asked whether sick leave is directly related to overtime costs, the Commissioner responded, "For the most part, yes, it is. If everything were equal—all our positions were fully staffed, all our rosters properly balanced, our post deployment scenarios in place—we have the ability through our substitute officers to cover a certain level of leave, which not only includes sick leave but annual leave and family related leave."¹⁴ In other words, CSC can reduce its overtime costs by ensuring that it has a full

¹¹ Chapter 7, paragraphs 7.49 and 7.50.

¹² Chapter 7, response to recommendation 7.63.

¹³ Chapter 7, paragraph 7.53.

¹⁴ Meeting 10, 17:00.

complement of correctional officers to replace officers on leave. Indeed, in its action plan, CSC indicated that it planned to recruit 1200 officers in 2008-2009.

In addition to hiring more correctional officers, CSC also needs to address some of the causes of sick leave, such as low staff morale and a stressful work environment. Sick leave is also associated with incidents where officers have been assaulted or have been involved in a highly stressful situation, such as a hostage-taking or a major riot. The Committee recommends:

RECOMMENDATION 4

That Correctional Service Canada appropriately budget for its overtime costs, as well as seek to reduce those costs by examining measures that can be taken to reduce the need for sick leave by correctional officers and report to the Public Accounts Committee by 31 December 2009 on how it intends to address this issue.

CONCLUSION

Economy and efficiency are fundamental considerations in the prudent use of public funds. It is important not only to ensure that objectives are achieved, but also to ensure that the means used to achieve those objectives give due regard to obtaining the best value for money. Economy and efficiency could be used more regularly as criteria for audits by the OAG.

The OAG's finding that CSC had not given sufficient analysis and attention to economy and efficiency in managing its operations is troubling, especially in light of CSC's statement that it could no longer reallocate resources to meet its challenges. Nonetheless, the Committee is encouraged that CSC appears to be taking the recommendations of the OAG seriously and is undertaking changes to incorporate economy and efficiency into management decision-making. To this end, the Committee believes that CSC would benefit from practices adopted by both public and private sector organizations. Also, CSC must make sure that it balances the need to find savings in the procurement of goods and services with the importance of CSC purchases for local economies. Regardless, CSC must find an appropriate balance between safety and security on the one hand and economy and efficiency on the other. CSC must also ensure that it has the appropriate systems in place to prudently spend

the additional \$122 million announced in Budget 2008 to modernize CSC's physical infrastructure with a more efficient and effective design and construction.

APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
Correctional Service Canada Don Head, Commissioner	2009/03/12	10
Office of the Auditor General of Canada Hugh McRoberts, Assistant Auditor General Gordon Stock, Principal, Public Safety and Emergency Preparedness Canada, Justice		

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings ([Meetings Nos. 10, 18, 19, 20, 23 and 25](#)) is tabled.

Respectfully submitted,

Hon. Shawn Murphy, MP

Chair