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Archive for Wednesday, September 14, 2005

Conflict Seen in Contract for Private Prison

By Dan Morain

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California's state auditor, investigating private prison contracts, found that one operator failed to disclose that two of its employees had been high-ranking state prison officials but cleared another firm of any conflict.

In a 58-page report, the auditor said the Department of Corrections and Rehabilitation "needs to better ensure against conflicts of interest and to improve its inmate population projects."

In December, Gov. **Arnold Schwarzenegger** reversed a decision by his predecessor, Gov. Gray Davis, and reopened two minimum-security lockups that had been closed a year earlier. Administration officials said an unexpected rise in the number of inmates forced them to open the facilities without seeking bids from other prison operators.

After news stories appeared about the no-bid contracts, prison officials in February dropped plans to retain one of the contractors, Civigenics, a Massachusetts company that was preparing to reopen 340-bed Mesa Verde prison in Bakersfield.

At the time, officials said they were canceling the contract because the prison population, after rising unexpectedly, fell without warning.

According to the auditor, Civigenics may have run afoul of state conflict-of-interest laws because two employees had been high-ranking prison officials and were part of a group of retirees who could return to work for the state system part time.

Civigenics executive Peter Argeropoulos said neither employee works for Civigenics now.

"The employment of the two individuals by both the department and Civigenics created potential conflicts of interest that, had the contract been fully executed, could have rendered it void," the audit said.

Responding in a letter, Roderick Hickman, head of the prison system, lauded the report and said his department was "committed to making further improvements."

The audit found no conflict on the part of GEO Group Inc., a Florida company that won the no-bid contract

to reopen a second lockup, a 224-bed prison in the Central Valley town of McFarland.

GEO had retained one of Schwarzenegger's top campaign aides and a lobby firm that has close ties to the Republican's administration. The firm and its predecessor, Wackenhut Corrections, also donated \$68,000 to Schwarzenegger campaign committees.

Additionally, a spinoff of GEO that owns the ground on which the prison sits placed Donna Arduin on its board of trustees shortly after Arduin quit as Schwarzenegger's first director of the Department of Finance. The audit report, though not naming Arduin, "found no evidence that she influenced the department's decision to reopen the facility."

GEO continues to operate the McFarland prison.

The Department of Corrections earlier this summer awarded contracts in a competitive bidding process to reopen several other private prisons. Civigenics was not among the winning contractors.

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