

State Board of Corrections

Preliminary Report & Recommendations



May 23, 2012



BOC Contract Directives

- Comparative analysis of revenue & expenses
- Fund balance analysis and policy
- Improve coding consistency
- Identify potential savings through consolidated spending
- Analyze CRAS information
- Assist with Capital Improvement Plan
- Financial reporting compliance
- Recommend ways to enhance financial reporting

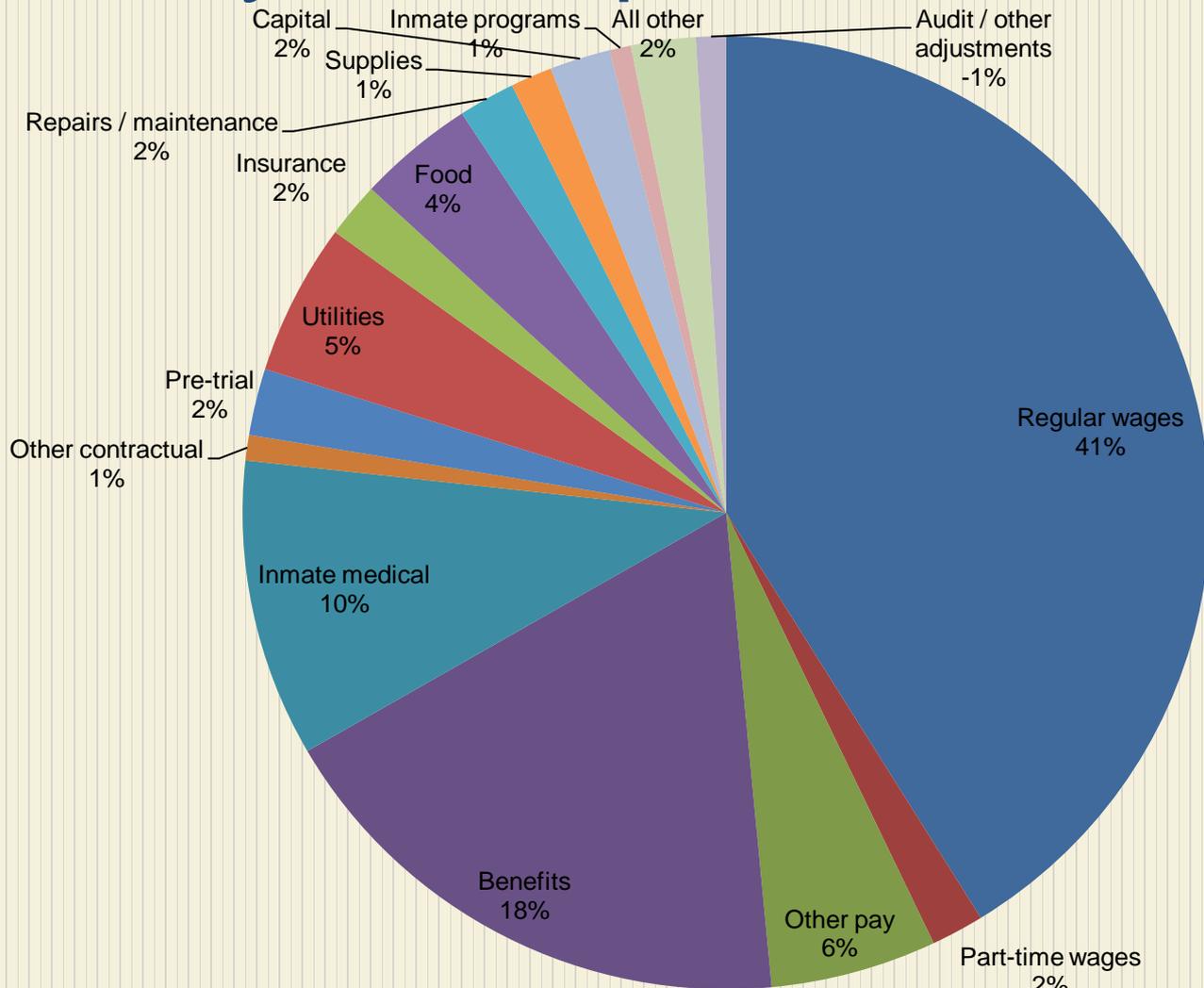


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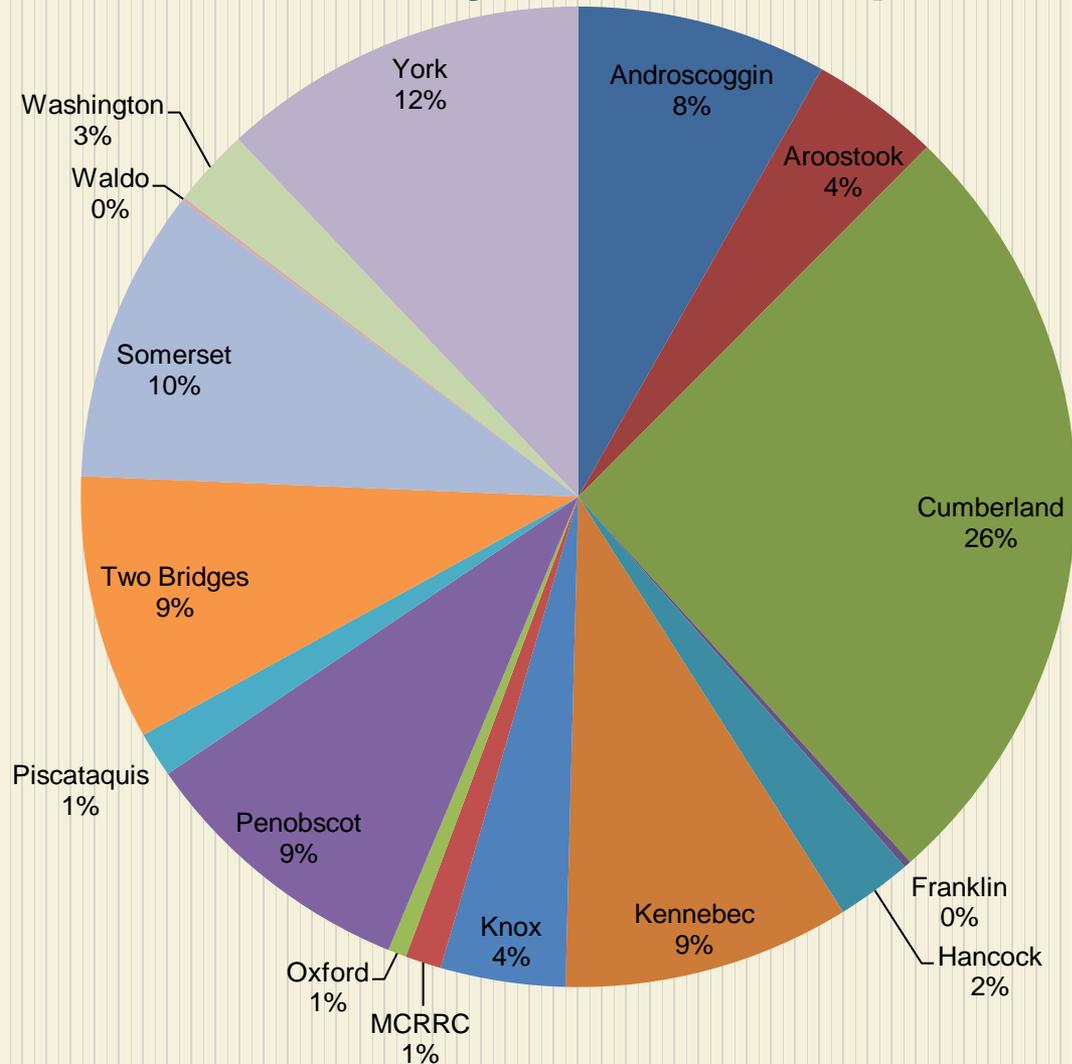
County Jail Expense Overview



2011



Share of County Jail Population



2011



Findings & Observations

- General
- Finance
- Management



Benefits of a Coordinated County System

- County and local taxes
- Potential to decrease system costs
- Opportunity to improve working relationships
- Consistency in finance and other directives
- Coordination of goals, efforts and investments



General

- System not really unified – coordination of county effort is worthwhile
- Loss of local control must be balanced by some other gain
- Necessary to proceed with policies that retain county jail autonomy when appropriate, and support coordination within the system.
- Responsibility and accountability



Finance

- Policy Areas
 - Budget and expense requirements too detailed
 - State and County system disconnects
 - Budgeting for “discretionary” revenue
 - System diminishes Counties’ incentives to save
 - Marginal costs result in County subsidies to State
 - Lack of policies regarding fund balance, capital costs, expenditures, fund transfers



Finance

Policy areas

- Unfunded liabilities amount to \$millions
- Noncapital and Capital Contingencies
- CRAS Reports not capturing transfers, carry-over fund balances, expenses paid from non general fund accounts
- Potential litigation or legal issues
- Conflicts about budget line items between counties and BOC



Finance

- Procedure Areas:
 - Inconsistencies in coding, budgeting, allocation
 - Wage classifications
 - Administrative Costs
 - Benefits/taxes
 - Some created when BOC was set up
 - Some caused by misinformation or misunderstanding between counties & BOC

Finance

- Procedure Areas
 - Some county accounting systems work better with CRAS than others
 - Jail and inmate expenses may be being paid out of non-general fund accounts (inmate benefit, reserves, grants, etc) so are not reflected in the general fund operating.
 - No jail audit requirement or guidance in legislation
 - No reconciliation between CRAS and audits



Management

- Presentation of financial information
- Lack of clear goals, roles, responsibilities
- Fate of BOC tied to politics
- High IT costs, disparate software and systems
- BOC Report to CJ Committee appears to lack financial information (per Title 34-A MRSA Section 1803.10)
- Smoke screen of information on website



Environmental

- Wages- Counties have little latitude
- Public safety initiatives
- Consequences of public policy
- Costs of fuel and other inputs
- Court docket management, sentencing and bail processing
- Unpredictable federal revenue
- Lack of funding for inverse debt



Needs

- Clear, reliable financial data
- Focus on the big picture
- Capacity to analyze and interpret financial data
- Strategic and reliable communications
- System of policies, procedures and monitoring that encourages desired outcomes and mutual trust

Recommendations

- Finance
- Management
- Other
- Efficiencies
- Capital Planning
- Fund Balance
- Coding
- CRAS Compliance



Recommendations

- Finance
 - Hire fiscal analyst to assist BOC
 - Simplify financial reporting package for financial reporting to BOC
 - Reconcile CRAS and other information with counties before presenting to BOC
 - Create Guidance Document for Counties
 - Do not withhold fourth quarter payments. Reconcile annually after audit report, then adjust
 - Institute audit requirements and guidance-yellow book and reconciliation form



Recommendations

- Finance
 - Prioritize and summarize data needed from CRAS upload
 - Institute Finance Subcommittee
 - Update Marginal Cost annually
 - BOC should apply for grants to fund programming or other statewide or multi-county initiatives
 - BOC needs to develop, promote and defend its state GF allocation



Recommended Monthly Reporting Contents

- Investment Fund:
 - Investment Fund Status
 - Investment Fund Projections
 - Investment Fund Obligations
- Individual Counties:
 - County Actuals
 - County Projections
 - County Obligations
- Other Items for discussion / analysis, assumptions,
- Source Data & other Informational to support presented reports
- Dashboard Should be highlights of Specific Items of interest and/or concern



Recommendations

- Policies & Procedures
 - Contract requires compliance
 - Include policies for consistently allocating administrative and other costs.
 - Clarify responsibilities in approving payments to counties
 - Clarify treatment of outside revenue
 - Capital Policy
 - Fund Balance Policy
 - Audit and compliance monitoring requirements
 - Management policies



Recommendations

- Guidance Document
 - Coding for CRAS Chart of Accounts (current or revised)
 - Accounting for jail portion of fringe benefits and other
 - Budgeting process and considerations
 - Process for dispute resolution
 - Other policies



Recommendations

- Management
 - Develop By-laws, policies and procedures, job descriptions
 - BOC Staff should be responsible for duties associated with Executive Director, Finance Director, Program Manager and Compliance Manager (can combine)
 - Execute contracts between BOC and counties
 - Implement incremental system wide changes to inmate management system.



Recommendations

- Communications
 - BOC should proactively educate legislatures CJ and AFA Committees
 - BOC should reach out to judicial system to guide scheduling and sentencing policies
 - Organize and prioritize information for website
 - Processes for Q&A, such as list serve or web based bulletin board



Efficiencies

- Most expenses associated with wages
- Reduction of overtime and “other” wages only real opportunity for savings
- Inconsistent wage scales will exist as long as there are inconsistent hiring and training policies
- Counties who opt out of state-wide contracts should meet state rate or be lower, unless they can justify variance.
- Investigate using a patch to create an integrated offender management system
- Complete and adopt CON policy
- Implementing IT Plan could result in savings



Capital Improvement Plan

- Guidance and Template for County CIP
- Guidance and Template for BOC CIP, which outlines unmet county capital needs to include in state funding requests:
 - General Fund
 - Bonding
 - Other policy recommendations for CIP



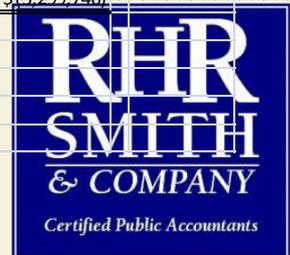
Fund Balance Analysis

- Fiscal year ending June 30, 2011 (audited)
- No county jail had reached statutorily allowed 20% for fund balance
- Days of operating in fund balance:
 - 60 days - 2
 - 30 days - 2
 - 15 days - 1
 - 7 days - 5
 - Less than 7 days or negative (or unknown) - 7



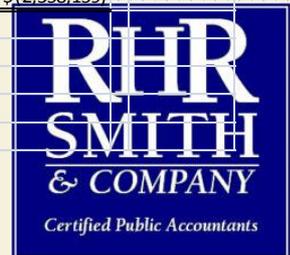
County Jail Fund Balances

| | C | | | | | | | | | |
|-----------------------------|--------------|-----------------------|------------------------------|----------------------|-----------------------------------|-----------------------------------|-----------------------------------|--|---------------------------------------|--|
| | County CAP | Statutory allowed 20% | Total Operating Expenditures | Capital Expenditures | Total Modified Operating expenses | 30 Days of Operating Expenditures | 60 Days of Operating Expenditures | Jail Fund Balances as of June 30, 2011 | Amount over (under) 30 days operating | Actual County % of Fund Balance to Operating |
| Androscoggin | \$ 4,287,340 | \$ 857,468 | \$ 5,315,824 | \$ 47,955 | \$ 5,267,869 | \$ 421,430 | \$ 842,859 | \$ 434,996 | \$ 13,566 | 8% |
| Aroostook | 2,316,666 | 463,333 | 3,097,968 | 83,981 | 3,013,987 | 241,119 | 482,238 | - | (241,119) | 0% |
| Cumberland | 11,575,602 | 2,315,120 | 15,816,383 | 206,668 | 15,609,715 | 1,248,777 | 2,497,554 | 522,088 | (726,689) | 3% |
| Franklin | 1,621,201 | 324,240 | 1,060,879 | 55,715 | 1,005,164 | 80,413 | 160,826 | 196,113 | 115,700 | 20% |
| Hancock | 1,670,136 | 334,027 | 2,197,476 | 44,895 | 2,152,581 | 172,206 | 344,413 | 21,321 | (150,885) | 1% |
| Kennebec | 5,588,343 | 1,117,669 | 6,177,005 | 67,113 | 6,109,892 | 488,791 | 977,583 | 207,897 | (280,894) | 3% |
| Knox | 3,188,700 | 637,740 | 3,559,833 | 14,768 | 3,545,065 | 283,605 | 567,210 | 164,124 | (119,481) | 5% |
| Oxford | 1,228,757 | 245,751 | 1,159,120 | 131,114 | 1,028,006 | 82,240 | 164,481 | 100,203 | 17,963 | 10% |
| Penobscot | 5,919,118 | 1,183,824 | 7,331,137 | 63,335 | 7,267,802 | 581,424 | 1,162,848 | (14,431) | (595,855) | 0% |
| Piscataquis | 878,940 | 175,788 | 1,200,969 | 66,355 | 1,134,614 | 90,769 | 181,538 | - | (90,769) | 0% |
| Somerset | 4,846,338 | 969,268 | 6,329,850 | - | 6,329,850 | 506,388 | 1,012,776 | (281,409) | (787,797) | -4% |
| Waldo | 2,832,353 | 566,471 | 1,967,344 | 40,932 | 1,926,412 | 154,113 | 308,226 | (1,139,007) | (1,293,120) | -59% |
| Washington | 2,000,525 | 400,105 | 2,348,602 | 80,634 | 2,267,968 | 181,437 | 362,875 | 55,088 | (126,349) | 2% |
| York | 8,667,248 | 1,733,450 | 10,080,973 | 611,116 | 9,469,857 | 757,589 | 1,515,177 | (33,448) | (791,037) | 0% |
| Subtotal | 56,621,267 | 11,324,253 | 67,643,363 | 1,514,581 | 66,128,782 | 5,290,303 | 10,580,605 | 233,535 | (5,056,768) | 0% |
| TBRJA | - | - | 6,637,298 | 41,038 | 6,596,260 | 527,701 | 1,055,402 | 257,870 | (269,831) | 4% |
| Sagadahoc | 2,657,105 | 531,421 | 392,635 | - | 392,635 | 31,411 | 62,822 | 92,022 | 60,611 | 23% |
| Lincoln | 2,657,105 | 531,421 | 421,985 | - | 421,985 | 33,759 | 67,518 | - | (33,759) | 0% |
| TOTAL TBRJA | 5,314,210 | 1,062,842 | 7,451,918 | 41,038 | 7,410,880 | 592,870 | 1,185,741 | 349,892 | (242,978) | 5% |
| Total | \$61,935,477 | \$12,387,095 | \$75,095,281 | \$1,555,619 | \$73,539,662 | \$5,883,173 | \$11,766,346 | 583,427 | \$(5,299,746) | |
| Waldo County Tax | | | | | | | | 1,416,177 | | |
| Total w/ Waldo Tax addition | | | | | | | | \$1,999,604 | | |

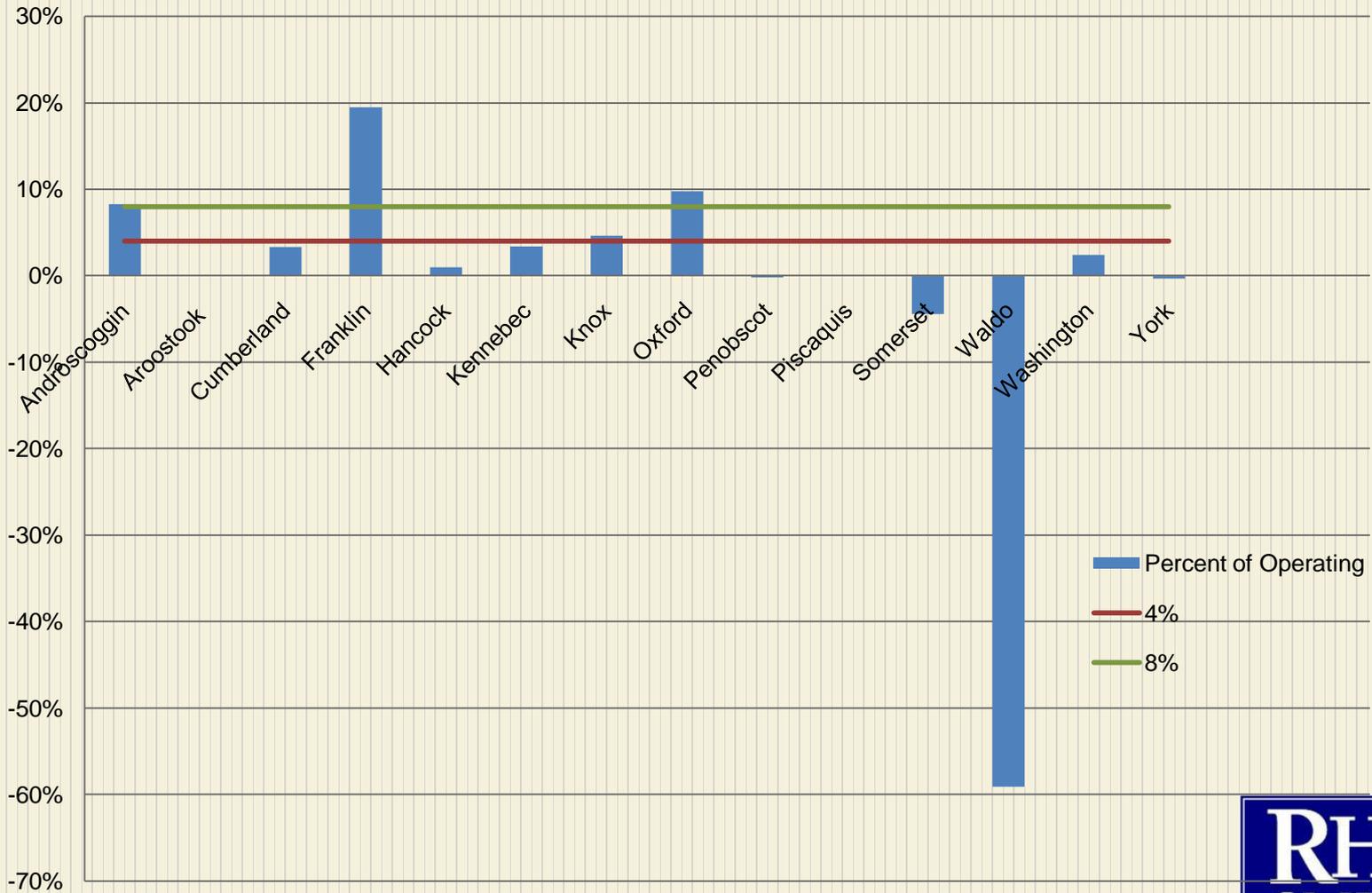


County Jail Fund Balances

| | C | | | | | | | | | |
|-----------------------------|--------------|-----------------------|------------------------------|----------------------|-----------------------------------|----------------------------------|-----------------------------------|--|---------------------------------------|--|
| | County CAP | Statutory allowed 20% | Total Operating Expenditures | Capital Expenditures | Total Modified Operating expenses | 7 Days of Operating Expenditures | 15 Days of Operating Expenditures | Jail Fund Balances as of June 30, 2011 | Amount over (under) 15 days operating | Actual County % of Fund Balance to Operating |
| Androscoggin | \$ 4,287,340 | \$ 857,468 | \$ 5,315,824 | \$ 47,955 | \$ 5,267,869 | \$ 105,357 | \$ 210,715 | \$ 434,996 | \$ 224,281 | 8% |
| Aroostook | 2,316,666 | 463,333 | 3,097,968 | 83,981 | 3,013,987 | 60,280 | 120,559 | - | (120,559) | 0% |
| Cumberland | 11,575,602 | 2,315,120 | 15,816,383 | 206,668 | 15,609,715 | 312,194 | 624,389 | 522,088 | (102,301) | 3% |
| Franklin | 1,621,201 | 324,240 | 1,060,879 | 55,715 | 1,005,164 | 20,103 | 40,207 | 196,113 | 155,906 | 20% |
| Hancock | 1,670,136 | 334,027 | 2,197,476 | 44,895 | 2,152,581 | 43,052 | 86,103 | 21,321 | (64,782) | 1% |
| Kennebec | 5,588,343 | 1,117,669 | 6,177,005 | 67,113 | 6,109,892 | 122,198 | 244,396 | 207,897 | (36,499) | 3% |
| Knox | 3,188,700 | 637,740 | 3,559,833 | 14,768 | 3,545,065 | 70,901 | 141,803 | 164,124 | 22,321 | 5% |
| Oxford | 1,228,757 | 245,751 | 1,159,120 | 131,114 | 1,028,006 | 20,560 | 41,120 | 100,203 | 59,083 | 10% |
| Penobscot | 5,919,118 | 1,183,824 | 7,331,137 | 63,335 | 7,267,802 | 145,356 | 290,712 | (14,431) | (305,143) | 0% |
| Piscataquis | 878,940 | 175,788 | 1,200,969 | 66,355 | 1,134,614 | 22,692 | 45,385 | - | (45,385) | 0% |
| Somerset | 4,846,338 | 969,268 | 6,329,850 | - | 6,329,850 | 126,597 | 253,194 | (281,409) | (534,603) | -4% |
| Waldo | 2,832,353 | 566,471 | 1,967,344 | 40,932 | 1,926,412 | 38,528 | 77,056 | (1,139,007) | (1,216,063) | -59% |
| Washington | 2,000,525 | 400,105 | 2,348,602 | 80,634 | 2,267,968 | 45,359 | 90,719 | 55,088 | (35,631) | 2% |
| York | 8,667,248 | 1,733,450 | 10,080,973 | 611,116 | 9,469,857 | 189,397 | 378,794 | (33,448) | (412,242) | 0% |
| Subtotal | 56,621,267 | 11,324,253 | 67,643,363 | 1,514,581 | 66,128,782 | 1,322,576 | 2,645,151 | 233,535 | (2,411,616) | 0% |
| TBRJA | - | - | 6,637,298 | 41,038 | 6,596,260 | 131,925 | 263,850 | 257,870 | (5,980) | 4% |
| Sagadahoc | 2,657,105 | 531,421 | 392,635 | - | 392,635 | 7,853 | 15,705 | 92,022 | 76,317 | 23% |
| Lincoln | 2,657,105 | 531,421 | 421,985 | - | 421,985 | 8,440 | 16,879 | - | (16,879) | 0% |
| TOTAL TBRJA | 5,314,210 | 1,062,842 | 7,451,918 | 41,038 | 7,410,880 | 148,218 | 296,435 | 349,892 | 53,457 | 5% |
| Total | \$61,935,477 | \$12,387,095 | \$75,095,281 | \$1,555,619 | \$73,539,662 | \$1,470,793 | \$2,941,586 | 583,427 | \$(2,358,159) | |
| Waldo County Tax | | | | | | | | 1,416,177 | | |
| Total w/ Waldo Tax addition | | | | | | | | \$1,999,604 | | |



County Jail Fund Balance Comparison FY 2011



Fund Balance Policy

- **Policy consistent with current statute**
- A maximum of 20% of county assessment for corrections related expenses can be held in working capital reserve (Title 30-A Section 924, subsection 2) through the use of fund balances
- Transfers between fund balances should be reported in the CRAS upload



Fund Balance Policy

- Fund Balance Priorities
 - Working Capital
 - Capital Reserve
- BOC Assessment of Fund Balances
 - Ensure below the 20% threshold
 - Establish Allocation priorities
- Audits will verify fund balances
- Law should be changed to base maximum fund balance on budget, not taxation



CRAS Coding

- Coding clarification to be included in County Guidance Document
 - Based on type of CRAS report used

CRAS Compliance

- BOC/County Contract that requires compliance with financial reporting guidelines; policies & procedures
- Guidelines published and provided to counties
- Reconciliation report included in Audit
- BOC Monitoring activities and report
 - Initiate corrective action plan
 - Action plan could include training by BOC or others
 - Continued noncompliance will result in penalties



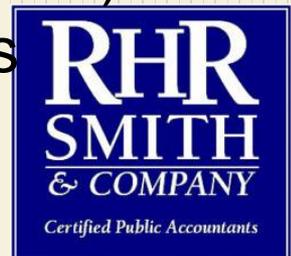
CRAS Compliance

- CRAS needs to capture transfers, and other financial data of county operating budgets
- Have counties submit quarterly budget reports to BOC and reconcile with CRAS



Long Term Recommendations

- BOC must be uncoupled from DOC
- Amend BOC legislation to create Maine Regional Jail Authority
 - Governed by Sheriffs, Administrators from every county and BOC
 - Owns buildings, employs jail staffs, assumes debt
 - Identifies savings in the system to fund improvements through moral obligation bonds
 - Able to benefit from GO bonds
 - Regionalize pay scales per DOL (similar to DOE)
 - Powers of the state, operated by the counties



Long Term Recommendations

- Consider re-visiting
 - tax caps
 - responsibilities of counties with no jails
 - CCA distribution
- BOC should have borrowing authority (legislative change)



Questions?

