



Transmitted via e-mail

April 8, 2014

Jeffrey A. Beard, Ph.D., Secretary  
California Department of Corrections and Rehabilitation  
P.O. Box 942833  
Sacramento, CA 94283-0001

Dear Dr. Beard:

**Final Report—California Department of Corrections and Rehabilitation, Review of “The Future of California Corrections” Blueprint Fiscal Benchmarks**

In accordance with Penal Code section 5032, the Department of Finance, Office of State Audits and Evaluations, has completed its evaluation of the fiscal benchmarks of the California Department of Corrections and Rehabilitation’s (CDCR) “The Future of California Corrections—A Blueprint to Save Billions of Dollars, End Federal Court Oversight, and Improve the Prison System” (Blueprint), for the period July 1, 2012 through June 30, 2013.

The enclosed report is for your information and use. CDCR’s response to the report results and our evaluation of the response are incorporated into this final report. Issuance of the final report was postponed to allow CDCR an opportunity to provide additional information in response to the draft report. This report will be placed on our website.

We appreciate the assistance and cooperation of CDCR. If you have any questions regarding this report, please contact Cheryl McCormick, Manager, or Alma Ramirez, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Richard R. Sierra, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Mr. Martin Hoshino, Undersecretary of Operations, California Department of Corrections and Rehabilitation  
Ms. Diana Toche, Undersecretary, Division of Administrative Services, California Department of Corrections and Rehabilitation  
Mr. Scott Carney, Director, Division of Administrative Services, California Department of Corrections and Rehabilitation  
Mr. William Bramer, Deputy Director (A), Office of Fiscal Services, California Department of Corrections and Rehabilitation  
Mr. Bryan Beyer, Director, Internal Oversight and Research, California Department of Corrections and Rehabilitation  
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Ms. Julie Lee, Director of Operations, Office of the Governor  
Ms. Diane F. Boyer-Vine, Legislative Counsel, Office of Legislative Counsel  
Mr. Gregory Schmidt, Secretary of the Senate, Office of the Secretary of the Senate  
Mr. E. Dotson Wilson, Chief Clerk, Office of the Chief Clerk, California State Assembly  
Ms. Amy Leach, Journal Clerk, Office of the Chief Clerk, California State Assembly

# Audit Report

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## California Department of Corrections and Rehabilitation "The Future of California Corrections" Blueprint Fiscal Benchmarks July 1, 2012 through June 30, 2013



San Quentin State Prison

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

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Final reports are available on our website at <http://www.dof.ca.gov>

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# RESULTS SUMMARY

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On April 23, 2012, the California Department of Corrections and Rehabilitation (CDCR) released its plan to reduce prison spending titled “The Future of California Corrections—A Blueprint to Save Billions of Dollars, End Federal Court Oversight, and Improve the Prison System” (Blueprint). In accordance with Penal Code section 5032, the Department of Finance (Finance) evaluated whether CDCR achieved the Blueprint’s fiscal savings benchmark totaling approximately \$1 billion for fiscal year 2012-13. Included in the Blueprint are position, inmate, and parolee population reductions which contribute to the savings.

Key components in achieving the 2012-13 fiscal benchmarks<sup>1</sup> include:

- Elimination of 5,575 positions and augmentation of 26 positions.<sup>2</sup>
- Reduction of institutions’ inmate average daily population (ADP) to 119,724.
- Reduction of out-of-state contract facilities’ inmate ADP to 9,038.
- Reduction of adult parolee ADP to 72,366.

Additionally, Finance gained an understanding of the estimated fiscal impacts to the Blueprint’s 2013-14 benchmark totaling approximately \$1.32 billion of savings.

Our evaluation was limited to the operational areas/programs as detailed in the Blueprint; other areas/programs within CDCR were not evaluated, nor was a department-wide analysis of operations in comparison to budget authority performed.

## Results

Based on our evaluation, CDCR achieved the 2012-13 Blueprint fiscal benchmark savings totaling \$1 billion as of June 30, 2013. The reductions in out-of-state contract facilities’ ADP and adult parolee ADP were also achieved. However, position reductions fell short of the Blueprint goal by 1 percent, or 51 positions, and the position augmentation was not accomplished. Further, institution ADP fell short of the Blueprint goal by 3 percent, or 3,847 ADP.

Although the 2012-13 fiscal savings were achieved, the benchmark for fiscal year 2013-14 or future years may not be attainable due to the potential impact of recent court decisions, legislative changes, and a rising trend in inmate population. Depending on the operational changes or solutions implemented, the Blueprint’s fiscal savings benchmarks may no longer be representative of the environment in which CDCR operates. However, because CDCR has not yet finalized its strategy, the exact impact is not determinable.

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<sup>1</sup> Blueprint Appendix A – Multi-Year Savings and Position Reduction Figures.

<sup>2</sup> Results in a net position reduction of 5,549 for fiscal year 2012-13.

# BACKGROUND, SCOPE AND METHODOLOGY

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## BACKGROUND

The mission of the California Department of Corrections and Rehabilitation (CDCR) is to enhance public safety through safe and secure incarceration of the most serious and violent offenders, effective parole supervision, and rehabilitative strategies to successfully reintegrate offenders into our communities.<sup>1</sup>

Landmark prison realignment legislation to ease prison crowding and reduce CDCR's budget by 18 percent was enacted in April 2011 by Assembly Bill (AB) 109, the Public Safety Realignment Act (Realignment). Effective October 1, 2011, Realignment created and funded a community-based correctional program where lower-level offenders serve their sentences locally, and lower-level offenders released from state prison are supervised by local probation officers instead of state parole agents. Offenders who have been convicted of violent, sex-related or other serious offenses continue to serve their sentences in state prison and are supervised by state parole agents after their release. As a result of this legislation, six months into realignment, the state offender population had dropped by approximately 22,000 inmates and 16,000 parolees. Therefore, it was necessary to realign CDCR's operations and budget to reflect its new policy changes, and lower prisoner and parolee population levels.<sup>2</sup>

On April 23, 2012, CDCR released its plan to reduce prison spending titled "The Future of California Corrections—A Blueprint to Save Billions of Dollars, End Federal Court Oversight, and Improve the Prison System" (Blueprint). The Blueprint builds upon the changes brought by realignment, and delineates a plan for CDCR to save billions of dollars by achieving its targeted budget reductions of approximately \$1 billion in General Fund spending in fiscal year 2012-13, and gradually increasing to \$1.5 billion by fiscal year 2015-16. Included in the Blueprint are position, inmate, and parolee population reductions which contribute to the savings. The Blueprint benchmarks were designed with an inmate population of 145 percent of the 33 state institutions' design capacity.<sup>3</sup>

The Blueprint savings are organized into the following seven operational areas:

- Headquarters and Health Care Services Program Administration (HQ/PA)
- Division of Adult Institutions (DAI)
- Division of Correctional Health Care Services (DCHCS)
- Division of Rehabilitative Programs (DRP)
- Board of Parole Hearings (BPH)
- Local Assistance (LA)<sup>4</sup>
- Division of Adult Parole Operations (DAPO)

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<sup>1</sup> Governor's Budget 2014-15.

<sup>2</sup> The Future of California Corrections-A Blueprint to Save Billions of Dollars, End Federal Court Oversight, and Improve the Prison System.

<sup>3</sup> Blueprint is located on CDCR's website – [www.cdcr.ca.gov](http://www.cdcr.ca.gov).

<sup>4</sup> CDCR does not have control or responsibility over the LA savings as the outcomes reside with county governments.

The 2012-13 Budget Act reduced CDCR's appropriation by approximately \$1 billion. Key components in achieving the fiscal benchmarks include:

- Elimination of 5,575 positions and augmentation of 26 positions.<sup>5</sup>
- Reduction of institutions' inmate average daily population (ADP) to 119,724.<sup>6</sup>
- Reduction of out-of-state contract facilities' inmate ADP to 9,038.<sup>7</sup>
- Reduction of adult parolee ADP to 72,366.<sup>8</sup>

## SCOPE

In accordance with Penal Code section 5032, the Department of Finance (Finance) evaluated CDCR's performance in achieving the Blueprint fiscal benchmarks. In March 2013, Finance issued an interim report detailing CDCR's progress in achieving the Blueprint's 2012-13 fiscal benchmarks. This report updates those results and replaces that report in its entirety.

Our audit objectives were as follows:

- Determine whether CDCR achieved \$1 billion of operational savings during fiscal year 2012-13.
- Determine whether CDCR met the position, inmate and parolee population reduction/augmentation goals as of June 30, 2013.
- Gained an understanding of the estimated fiscal impact to the Blueprint's 2013-14 benchmark totaling approximately \$1.32 billion of savings.

We performed a risk assessment to identify the most significant fiscal benchmarks to focus our evaluation. Other less significant benchmarks were not evaluated. As such, additional savings or erosions may have occurred during fiscal year 2012-13, but not captured in this report.

Our evaluation was limited to the operational areas/programs as detailed in the Blueprint; other areas/programs within CDCR were not reviewed nor was a department-wide analysis of operations in comparison to budget authority performed.

Our evaluation did not include an assessment of the:

- Fiscal benchmark design, including budget rates used to derive the projected savings. Additionally, cost factors and/or budget elements not included in the Blueprint's fiscal benchmarks were also excluded from our analysis and conclusions, such as:
  - Costs of overtime, and worker's compensation or other insurance claims.
  - Costs of emergencies or other disasters.
  - Inmate healthcare driven operating expenses and equipment.
  - Operating costs for the California Health Care Facility and the DeWitt Correctional Annex.
  - Cost changes associated with fluctuations of the consumer price index.

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<sup>5</sup> Blueprint Appendix A – Multi-Year Savings and Position Reduction Figures, Savings Estimate Table; resulting in a net 5,549 position reduction for fiscal year 2012-13.

<sup>6</sup> Blueprint Appendix A – Multi-Year Savings and Position Reduction Figures, Average Daily Population Table.

<sup>7</sup> Blueprint Appendix A – Multi-Year Savings and Position Reduction Figures, Average Daily Population Table.

<sup>8</sup> Blueprint Appendix A – Multi-Year Savings and Position Reduction Figures, Division of Adult Parole Operations Table.

- Blueprint’s programmatic or policy components, such as improvement of the inmate classification system, standardized staffing levels, and delivery of rehabilitative programs, as the responsibility for this review was assigned to the Office of Inspector General (OIG) per Penal Code section 6126.
- Efficiency or effectiveness of CDCR’s program operations, compliance with laws, regulations, and/or court mandates.

CDCR’s management is responsible for the establishment of oversight, evaluation, and accountability measures to achieve the Blueprint’s fiscal benchmarks.

## **METHODOLOGY**

To address the audit objectives, we performed the following general procedures. Appendix B lists specific procedures as they relate to each audit objective.

- Reviewed the Blueprint and supporting documents to gain an understanding of the fiscal benchmarks.
- Interviewed key personnel to gain an understanding of the methodologies used to develop and monitor the benchmarks.
- Gained an understanding of relevant internal controls.
- Assessed the reliability of underlying data used to evaluate the benchmarks.
- Coordinated with the OIG to gain an understanding of their respective scope.
- Reviewed audit reports and other publications significant to the audit objectives.
- Gained an understanding of the inmate population court decisions and related legislation to determine the significance of impacts to CDCR’s operating environment and the Blueprint.

To assess the reliability of data pertaining to CDCR employee position counts, the inmate population counts, and the financial expenditures as reported in CDCR’s accounting system, we (1) reviewed existing documentation related to the data sources, (2) reconciled the data from different sources to identify obvious problems with completeness or accuracy, and (3) interviewed knowledgeable staff about the data. We determined the data was sufficiently reliable for the purposes of this report.

We made the following assumptions during our audit:

- The 2011-12 Budget Act is the baseline from which the Blueprint savings were derived.
- The 2012-13 Budget Act represents the Blueprint budget for current and future years.
- Subsequent augmentations or reductions to CDCR’s overall budget authority, and program funding shifts, do not amend the Blueprint fiscal benchmark budget.

Except as discussed in the following paragraph, we conducted this audit in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

In connection with our audit, there are certain disclosures required by generally accepted government auditing standards. Finance is not independent of CDCR, as both are part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. These activities impair independence. However, sufficient safeguards exist for readers of this report to rely on the information contained herein.

The California Department of Corrections and Rehabilitation (CDCR) has achieved the 2012-13 Blueprint fiscal benchmark of \$1 billion as of June 30, 2013. The reductions in out-of-state contract facilities' inmate average daily population (ADP) and adult parolee ADP were also achieved. However, position reductions fell short of the Blueprint goal by 1 percent, or 51 positions, and the position augmentation was not accomplished. Further, institution ADP fell short of the Blueprint goal by 3 percent, or 3,847 ADP.

Although the 2012-13 fiscal savings were achieved, the benchmark for fiscal year 2013-14 or future years may not be attainable due to the potential impact of recent court decisions, legislative changes and a rising trend in inmate population.

The results of our audit are based on our analysis of documentation, other information made available to us, and interviews with key staff. Our results are categorized as follows:

- Budget Reduction
- Position Reduction/Augmentation
- Population Reduction
- Future Fiscal Benchmarks

For reference, the acronyms below are used throughout this section of the report:

- Headquarters and Health Care Services Program Administration (HQ/PA)
- Division of Adult Institutions (DAI)
- Division of Correctional Health Care Services (DCHCS)
- Division of Rehabilitative Programs (DRP)
- Board of Parole Hearings (BPH)
- Local Assistance (LA)
- Division of Adult Parole Operations (DAPO)
- Average Daily Population (ADP)
- Operating Expense and Equipment (OE&E)
- Fiscal Year (FY)
- California Out-of-State Correctional Facilities (COCF)
- Female Offender Program and Services (FOPS)
- Female Alternative Custody Program (ACP)

## Budget Reduction

CDCR achieved \$1 billion in operational savings during fiscal year 2012-13. According to our analyses, CDCR exceeded the benchmark savings by seven percent, or \$68.7 million as detailed in Table 1.

**Table 1: FY 2012-13 Blueprint Budget Reduction Results Summary**

Operational Area	FY 2012-13 Budget Reduction	(Erosion)/ Additional Savings <sup>1</sup>	Total Budget Reduction as of June 30, 2013
HQ/PA	\$ 68,007,000	\$ (2,279,338)	\$ 65,727,662
DAI	507,548,000	(1,762,615)	505,785,385
DCHCS	32,576,000	(1,931,448)	30,644,552
DRP	59,174,000	53,222,191	112,396,191
BPH	17,666,000	(205,312)	17,460,688
LA <sup>2</sup>	66,215,000	1,396,318	67,611,318
DAPO	248,772,000	20,282,598	269,054,598
<b>Blueprint Total</b>	<b>\$ 999,958,000</b>	<b>\$ 68,722,394</b>	<b>\$1,068,680,394</b>

Appendix A details the budget reduction by illustrating the erosion/savings of the seven operational areas by program and the personnel services and OE&E components. Overall, the OE&E component realized savings in addition to the Blueprint goal approximating \$114.2 million, while the personnel services component realized an erosion approximating \$45.5 million, for a net savings of approximately \$68.7 million beyond the Blueprint \$1 billion expectation. Significant factors contributing to CDCR's overall achievement of the fiscal benchmark include:

- HQ/PA, DCHCS and BPH operational areas experienced erosions of \$2.3 million, \$1.9 million, and \$205,312, respectively. The erosions are comprised of personnel services and OE&E costs attributable to position reductions that were phased-in during the 2012-13 fiscal year. The Blueprint plan presumed position reductions would occur on July 1, 2012.
- DAI experienced a net \$1.8 million erosion of the Blueprint operational savings. DAI personnel services and OE&E costs attributable to phased-in position reductions, and inmate population in excess of Blueprint levels resulted in a \$17.7 million erosion. However, Contract Beds and FOPS experienced savings beyond Blueprint levels which reduced the overall erosion. Most notably, COCF incurred \$7.7 million additional savings due to the out-of-state inmate population being reduced at a higher rate than projected in the Blueprint. Additionally, funds allocated for ACP contracts totaling \$6.6 million were not expended because the eligible inmate participants were placed in existing available bed space from other programs.
- DRP realized \$53.2 million savings beyond Blueprint goals. Contributing to the savings was an unexpended \$19 million augmentation for academic and vocational education. Difficulties in hiring teaching instructors and staff, and changes to inmate classifications have delayed implementation of rehabilitative programs within the institutions and local communities. DRP also experienced \$19.4 million savings within the substance abuse program component as a result of delays in securing service provider contracts. Further, because of parolee underutilization of the community based programs, DRP recognized savings approximating \$12.6 million which were not identified for a reduction in the Blueprint's 2012-13 fiscal year.

<sup>1</sup> Erosion/additional savings amounts do not include encumbrances.

<sup>2</sup> CDCR does not have control or responsibility over the LA savings as the outcomes reside with county governments.

- DAPO exceeded the Blueprint savings goals by a net \$20 million. DAPO experienced \$38.8 million personnel services erosion due to the phased-in position reductions. The OE&E component realized savings of \$59 million. The savings are attributable to the decline in parolee population beyond the Blueprint goals which resulted in less demand for psychotropic drugs for mentally-ill parolees. Additionally, delays in executing service provider contracts for high risk sex offender treatment, and community based programs resulted in lower levels of spending.

## Position Reduction/Augmentation

CDCR fell short of the position reduction goal by 1 percent, or 51.4 positions, as of June 30, 2013, as shown in Table 2. Specifically, all operational areas fell below the individual reduction goals as outlined in the Blueprint. HQ/PA and DAI experienced the greatest erosion of 26.6 and 15.4 positions respectively. DRP received an increase in position authority; however, it was not successful in filling the 26 positions.

**Table 2: Position Reduction/Augmentation as of June 30, 2013<sup>3</sup>**

Operational Area	Blueprint Goal	Position Reduction/ (Augmentation)	Positions Greater/(Less) than Goal
<b>Reduction:</b>			
HQ/PA	204.8	178.2	(26.6)
DAI	3,799.1	3,783.7	(15.4)
DCHCS	266.5	262.1	(4.4)
BPH	60.6	57.6	(3.0)
DAPO	1,244.3	1,242.3	(2.0)
<b>Total Reduction</b>	<b>5,575.3</b>	<b>5,497.7</b>	<b>(51.4)</b>
<b>Augmentation:</b>			
DRP	(26.2)	0	(26.2)
<b>Total Net Reduction</b>	<b>5,549.1</b>		

## Population Reduction

The inmate annualized ADP at state institutions fell short of the Blueprint goal by 3,847 or 3 percent. However, COCF exceeded the goal by 327 ADP. Lastly, the adult parolee population surpassed the reduction goal by 3,513 parolees. See Table 3 for details.

**Table 3: Average Daily Population FY2012-13**

Operational Area/ Population	ADP Blueprint Goal	Annualized ADP	ADP Greater/(Less) than Goal
DAI-State Institutions	119,724	123,571	(3,847)
DAI-COCF	9,038	8,711	327
DAPO-Adult Parolee <sup>4</sup>	72,366	68,853	3,513

<sup>3</sup> Table 2 does not include position reductions beyond Blueprint benchmarks or vacant authorized positions.

<sup>4</sup> Figures include parolees at large.

## Future Fiscal Benchmarks

The benchmark for fiscal year 2013-14 or future years may not be attainable due to the potential impact of recent court decisions, legislative changes, and a rising trend in inmate population, which represent fundamental departures from the Blueprint's benchmark design.

The Blueprint benchmarks were designed with an inmate population at 145 percent of the 33 state institutions' design capacity.<sup>5</sup> However, per the February 10, 2014 Three Judge Panel court order, CDCR must reduce the institutions' inmate population to 137.5 percent of design capacity by February 2016. An additional complexity in meeting the court order is a rising inmate population. The 2013-14 inmate ADP is projected to be 9,352 higher than anticipated in the Blueprint<sup>6</sup> and CDCR projects the population trend to continue rising through 2019.

In response to the court order and rising population trend, legislation has been enacted and funding augmented in the 2013-14 Budget Act to assist CDCR with the development and implementation of solutions. Additional funding is proposed in the 2014-15 Governor's Budget. For example, Chapter 310, Statutes of 2013 (SB 105) was enacted on September 13, 2013. SB 105 authorized up to \$315 million in immediate public and private in-state and out-of-state contract bed capacity.

Additionally, legislation has also changed the local assistance adult probation funding model<sup>7</sup> resulting in estimated increases in expenditures for 2013-14 and 2014-15, whereas the Blueprint assumed an annual decrease of over \$100 million beginning in 2013-14 and thereafter, for this program.<sup>8</sup>

The potential erosion to the 2013-14 Blueprint savings is estimated to be \$365.7 million (28 percent) rising to \$571.9 million (39 percent) for 2014-15. See Table 4 below for details. However, these estimates may fluctuate significantly and additional impacts may be realized as CDCR has not yet finalized its solutions to address the court's ruling and inmate population growth. Once the solutions are finalized, CDCR's current and future operating environment most likely will not be representative of that presumed in the Blueprint.

**Table 4: Potential Fiscal Erosion to Blueprint  
(\$ in Millions)**

Operational Area	FY 13/14	Proposed FY 14/15
<b>DAI</b>		
Fire Camps Capacity Increase	\$ 15.4	
Inmate Population Adjustments	20.5	
Increased Capacity Solution <sup>9</sup>	228	\$ 405.2
Academy Expansion	25.6	61.7
<b>Subtotal DAI</b>	<b>289.5</b>	<b>466.9</b>
<b>LA<sup>8</sup></b>		
Adult Probation <sup>10</sup>	67.3	105
Adult Parole	8.9	
<b>Subtotal LA</b>	<b>76.2</b>	<b>105</b>
<b>Total Estimated Erosion</b>	<b>\$ 365.7</b>	<b>\$ 571.9</b>
Blueprint Benchmark	\$1,317.2	\$1,458.4
<b>Percentage Erosion</b>	<b>27.8 %</b>	<b>39.2%</b>

<sup>5</sup> Blueprint Introduction section page 8 and Legal section page 50.

<sup>6</sup> Governor's Budget 2014-15 ADP of 134,986 less 125,634 Blueprint ADP, which includes 200 ACP ADP.

<sup>7</sup> Chapter 31, Statutes of 2013, (SB 75) enacted on June 27, 2013 permanently changed the funding formula to add offenders under mandatory supervision or post-release community supervision. Beginning in fiscal year 2014-15, SB 105 revises the funding model "per inmate cost saved" factor.

<sup>8</sup> CDCR does not have control or responsibility over the LA savings as the outcomes reside with county governments.

<sup>9</sup> Includes \$5.9 million pertaining to academy training related to increased capacity.

<sup>10</sup> Related to Chapter 608, Statutes of 2009 (SB 678).

# APPENDIX A

## FY 2012-13 Blueprint Budget Reduction Results

Operational Area/Program	Benchmark	(Erosion)/Additional Blueprint Savings <sup>1</sup>			Results
	A	Personnel Services	OE&E	Total	E=A+D
		B	C	D=B+C	
<b>HQ/PA Staffing and OE&amp;E</b>	<b>\$68,007,000</b>	<b>(\$1,859,406)</b>	<b>(\$419,932)</b>	<b>(\$2,279,338)</b>	<b>\$65,727,662</b>
<b>DAI Staffing and OE&amp;E</b>					
Institutions <sup>2</sup>	249,491,000				
Overtime	15,000,000				
AB 900	15,000,000				
FOPS Staffing	4,371,000				
DAI Admin	31,930,000				
<b>Subtotal:</b>	<b>315,792,000</b>	<b>(6,508,690)</b>	<b>(11,195,323)</b>	<b>(17,704,013)</b>	<b>298,087,987</b>
<u>Contract Beds</u>					
COCF	81,806,000	-	7,695,399	7,695,399	89,501,399
CCF	80,661,000	-	104,328	104,328	80,765,328
	162,467,000	-	7,799,727	7,799,727	170,266,727
<u>FOPS</u>					
FRCCC Contracts	29,366,000	-	676,788	676,788	30,042,788
ACP Contracts	(6,570,000)	-	6,570,000	6,570,000	0
PMP Contracts	807,000	-	220,863	220,863	1,027,863
FFP Contracts	4,368,000	-	0	0	4,368,000
FRMSC Contracts	995,000	-	674,020	674,020	1,669,020
Other Contracts	323,000	-	0	0	323,000
<b>Subtotal:</b>	<b>29,289,000</b>	<b>-</b>	<b>8,141,671</b>	<b>8,141,671</b>	<b>37,430,671</b>
<b>Total DAI</b>	<b>507,548,000</b>	<b>(6,508,690)</b>	<b>4,746,075</b>	<b>(1,762,615)</b>	<b>505,785,385</b>
<b>DCHCS Staffing and OE&amp;E</b>					
Mental Health Care	3,418,000				
Dental Health Care	29,158,000				
	<b>32,576,000</b>	<b>(1,907,818)</b>	<b>(23,630)</b>	<b>(1,931,448)</b>	<b>30,644,552</b>
<b>DRP Staffing and OE&amp;E</b>					
Academic and Vocational	(19,060,000)	4,653,865	14,682,692	19,336,557	276,557
Substance Abuse	76,142,000	(3,950,313)	23,334,470	19,384,157	95,526,157
Administration	2,092,000	2,999,384	(1,143,819)	1,855,565	3,947,565
Community Based	0	(2,042)	12,647,954	12,645,912	12,645,912
	<b>59,174,000</b>	<b>3,700,894</b>	<b>49,521,297</b>	<b>53,222,191</b>	<b>112,396,191</b>
<b>BPH Staffing and OE&amp;E</b>	<b>17,666,000</b>	<b>(184,791)</b>	<b>(20,521)</b>	<b>(205,312)</b>	<b>17,460,688</b>
<b>LA<sup>3</sup></b>					
Adult Parole	60,997,000	0	40,101	40,101	61,037,101
Adult Probation	(689,000)	0	314,716	314,716	(374,284)
Juvenile Parole	1,403,000	0	0	0	1,403,000
District Attorney	4,504,000	0	1,041,501	1,041,501	5,545,501
	<b>66,215,000</b>	<b>0</b>	<b>1,396,318</b>	<b>1,396,318</b>	<b>67,611,318</b>
<b>DAPO Staffing and OE&amp;E</b>					
DAPO Supervision	176,386,000	(23,776,402)	22,491,109	(1,285,293)	175,100,707
Adult Community Based	36,653,000	5,713,133	38,385,660	44,098,793	80,751,793
Adult Administration	35,733,000	(20,707,851)	(1,823,051)	(22,530,902)	13,202,098
	<b>248,772,000</b>	<b>(38,771,120)</b>	<b>59,053,718</b>	<b>20,282,598</b>	<b>269,054,598</b>
<b>Blueprint Benchmark Total</b>	<b>\$ 999,958,000</b>	<b>(\$45,530,931)</b>	<b>\$114,253,325</b>	<b>\$68,722,394</b>	<b>\$1,068,680,394</b>

<sup>1</sup> Erosion/additional savings amounts do not include encumbrances.

<sup>2</sup> Includes position and population erosion/savings.

<sup>3</sup> CDCR does not have control or responsibility over the LA benchmark as the outcomes are dependent on the actions of county governments.

**AUDIT OBJECTIVES AND PROCEDURES**

<p><b>Objective:</b> Determine whether CDCR achieved \$1 billion of operational savings during fiscal year 2012-13.</p>	
Operational Area	Procedures
<p>HQ/PA, DCHCS, BPH</p>	<p style="text-align: center;"><b>Staffing Erosion</b></p> <ul style="list-style-type: none"> <li>• Determined the number of positions in excess of authority (eroded) at the class level by deducting filled positions per the payroll file from authorized positions per the 2012-13 Budget Act on a monthly basis for July through December 2013, and June 2014.</li> <li>• Estimated position erosion for January through April 2013 based on the actual erosion in December 2012, and for May 2013 based on actual erosion in June 2013.</li> <li>• Derived the related fiscal erosion or savings for each month by multiplying the positions in excess of authority by the corresponding budgeted salary and benefits rates, and the operating cost complement.</li> <li>• Annualized the erosion for the year by summing the monthly erosion and savings.</li> </ul>
<p>DAI</p>	<p style="text-align: center;"><b>Staffing Erosion</b></p> <ul style="list-style-type: none"> <li>• Determined the number of positions in excess of authority (eroded) at the class level by deducting filled positions per the payroll file from authorized positions per the 2012-13 Budget Act on a monthly basis for July through December 2013, and June 2014.</li> <li>• Estimated position erosion for January through May 2013 based on the average monthly change from December 2012 through June 2013.</li> <li>• Derived the related fiscal erosion or savings for each month by multiplying the positions in excess of authority by the corresponding budgeted salary and benefits rates, and the operating cost complement.</li> <li>• Annualized the erosion for the year by summing the monthly erosion and savings.</li> </ul> <p style="text-align: center;"><b>Inmate Population Erosion</b></p> <ul style="list-style-type: none"> <li>• Determined the annualized institutions' inmate ADP in excess of the Blueprint levels by comparing actual ADP as of June 30, 2013 to the Blueprint levels.</li> <li>• The annualized institutions' ADP was calculated by averaging monthly point-in-time population counts on a quarterly basis. The quarterly counts were then averaged to arrive at the annualized actual ADP for July 2012 through June 2013.</li> <li>• The excess inmate ADP was converted to fiscal erosion by multiplying the excess ADP by the budgeted per inmate operating cost complement.</li> </ul>

<p style="text-align: center;">DAI Continued</p>	<p style="text-align: center;"><b>Contract Beds Erosion</b></p> <ul style="list-style-type: none"> <li>• Determined the contracted bed inmate ADP in excess of Blueprint levels on a monthly basis by comparing the actual point in time monthly ADP for the months of July 2012 through June 2013 to the Blueprint levels.</li> <li>• The monthly excess ADP was converted to fiscal erosion by multiplying the excess contract bed ADP by the corresponding budgeted rate.</li> <li>• For contracted facilities whose budget was based on lease payments, the budgeted lease amount was compared to the expenditures recorded and the difference was noted as erosion.</li> </ul> <p style="text-align: center;"><b>AB 900 Savings</b></p> <ul style="list-style-type: none"> <li>• Compared the AB 900 General Fund expenditures as of June 30, 2013 against authorized budget levels. The benchmark was considered to have been met as long as spending levels were below budgeted authority.</li> </ul> <p style="text-align: center;"><b>Medical Guarding/Transportation Overtime Savings</b></p> <ul style="list-style-type: none"> <li>• Determined the Medical Guarding/Transportation overtime erosion/savings by comparing the related fiscal expenditures as of June 30, 2013 to the authorized budget. Unspent balances were deemed additional savings beyond Blueprint levels.</li> <li>• A sample of overtime transactions was validated to allocation worksheets, and overtime reports, as well as source records for accuracy and consistency.</li> </ul>
<p style="text-align: center;">DRP/DAPO</p>	<p style="text-align: center;"><b>Budget Reductions</b></p> <ul style="list-style-type: none"> <li>• Determined the DRP/DAPO erosion or savings by comparing the related operational area's fiscal expenditures incurred as of June 30, 2013 to the authorized General Fund budget (net of reimbursements) at the cost category level. Unexpended and unallotted balances were deemed as additional savings, and expenditures in excess of budget allotments and unrealized reimbursements were deemed as erosions. Encumbrances were excluded from the erosion/savings calculations.</li> <li>• A sample of expenditure transactions was validated to source records for accuracy. Determined whether goods/services expenditures were incurred within the 2012-13 fiscal year by reviewing the invoiced service period or delivery date.</li> </ul>
<p style="text-align: center;">LA</p>	<p style="text-align: center;"><b>Budget Reductions</b></p> <ul style="list-style-type: none"> <li>• Determined the LA erosion or savings by comparing the fiscal expenditures recorded as of June 30, 2013 to the authorized budget. Expenditures in excess of budget allotments were deemed as erosions and unspent balances were deemed as savings.</li> </ul>

<p><b>Objective:</b> Determine whether CDCR met the position reduction/augmentation goals as of June 30, 2013.</p>	
<b>Operational Area</b>	<b>Procedures</b>
All Operational Areas Except DRP	<p style="text-align: center;"><b><i>Position Reduction</i></b></p> <ul style="list-style-type: none"> <li>• Determined the number of positions in excess of authority (eroded) at the class level by deducting filled positions per the payroll file at June 30, 2013 from authorized positions per the 2012-13 Budget Act. Positions filled in excess of authority were deemed to erode the position reduction benchmark.</li> <li>• Positions in classifications where the authority resides in one class code but can be filled by another, such as Associate Governmental Program Analyst and Staff Services Analyst were grouped together. Also, positions that were being phased out due to the institution's standardized staffing model were grouped with the new classifications; for example, accounting and teaching related positions.</li> </ul>
DRP	<p style="text-align: center;"><b><i>Position Augmentation</i></b></p> <ul style="list-style-type: none"> <li>• Determined the number of positions under authority (unfilled) at the class level by deducting filled positions per the payroll file at June 30, 2013 from authorized positions per the 2012-13 Budget Act. Unfilled authorized positions were deemed to erode the position augmentation benchmark.</li> </ul>
<p><b>Objective:</b> Determine whether CDCR met the inmate and parolee population reduction goals as of June 30, 2013.</p>	
<b>Operational Area</b>	<b>Procedures</b>
DAI/DAPO	<p style="text-align: center;"><b><i>Inmate and Parolee Population Reduction</i></b></p> <ul style="list-style-type: none"> <li>• Determined the actual ADP for inmates at institutions and in contract beds as well as parolee ADP in excess of or below the Blueprint levels by deducting actual annualized ADP as of June 30, 2013 from the Blueprint ADP levels. Based on the differences, the benchmark was classified as met or not met.</li> <li>• The annualized actual ADP was computed by averaging monthly point-in-time population counts on a quarterly basis; these were then averaged to compute the annualized ADP.</li> </ul>
<p><b>Objective:</b> Gained an understanding of estimated fiscal impact to the Blueprint's 2013-14 benchmark totaling approximately \$1.32 billion of savings.</p>	
<b>Operational Area</b>	<b>Procedures</b>
All Operational Areas	<ul style="list-style-type: none"> <li>• Gained an understanding of significant events impacting CDCR's operating environment by reviewing legislation, court orders, and population projections.</li> <li>• Created an inventory of impacts to the Blueprint's 2013-14 and 2014-15 benchmarks based on enacted and proposed budget changes and assessed whether the changes represent fundamental departures from the Blueprint design. Changes that were deemed departures from the Blueprint were consolidated and an estimated overall impact (erosion) was computed.</li> </ul>



**OFFICE OF THE SECRETARY**

P.O. Box 942883  
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April 1, 2014

Mr. David Botelho, CPA  
Chief, Office of State Audits and Evaluations  
Department of Finance  
915 L Street  
Sacramento, CA 95814

Dear Mr. Botelho:

The California Department of Corrections and Rehabilitation (CDCR) submits this letter in response to the Department of Finance's (DOF) draft audit report titled "California Department of Corrections and Rehabilitation, Review of 'The Future of California Corrections' Blueprint Fiscal Benchmarks."

CDCR has made significant progress in achieving the 2012-13 fiscal goals outlined in the Blueprint. Those goals, as enacted in the 2012-13 Budget Act, included a reduction of 5,549.1 positions and a targeted savings totaling \$1 billion. While CDCR is pleased the audit report released by DOF's Office of State Audits and Evaluations (OSAE) concludes that the Department has actually exceeded its overall fiscal benchmark savings, CDCR believes certain components of the position results can be misconstrued without additional context.

Fiscal year 2012-13 was a transitional year with implementation challenges. From a personnel perspective, CDCR underwent multiple layoff waves. During this period, personnel guidelines and processes generated obstacles that prolonged the time necessary for the Department to align its position authority with its employees. As an alternate option and in certain circumstances, incumbents were placed temporarily into blanket position numbers until existing vacant position authority could be reclassified to match the employee.

The position overages identified in the report reflect challenges CDCR encountered that will not be resolved until fiscal year 2013-14. However, offsetting vacancies in other classifications more than compensated for these overages and there was no erosion to savings or over utilization of positions. Because the audit methodology was narrowly focused, the additional savings and vacancies were not accounted for in the report's analysis. For example, in reviewing the Headquarters component, OSAE only took overages into consideration. By only looking at the overages, the offsetting vacancies held to cover these overages are ignored and implies that Headquarters did not meet its goal when in fact all reductions were met.

Mr. David Botelho

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CDCR would like to thank the Department of Finance for the opportunity to respond to the draft report. Should you have any questions or concerns, please contact me at (916) 323-6001.

Sincerely,

*Original Signed by*

SCOTT R. CARNEY

Director

Division of Administrative Services

cc: Jeffrey A. Beard, Ph.D., Secretary, CDCR

## EVALUATION OF RESPONSE

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The California Department of Corrections and Rehabilitation's (CDCR) response to the report results has been reviewed and incorporated into the final report. In evaluating CDCR's response, we provide the following comments:

### **Position Reduction/Augmentation**

Although CDCR generally agrees with the position reduction/augmentation results, it questioned the methodology used for evaluating the position benchmark and calculating the fiscal erosion/savings.

The Blueprint position reduction/augmentation is specific to authorized positions. While CDCR may have vacancies in other authorized positions throughout its organization, our focus was to measure whether CDCR had in fact, reduced/augmented authorized position levels. A position vacancy does not constitute an authorized position reduction because the vacant position remains available for utilization. Because we identified positions filled in excess of authorized levels for certain classifications, these positions were considered to erode the Blueprint savings goal. Therefore, our report results remain unchanged.