DEPARTMENT OF FINANCE

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Transmitted via e-mail

March 27, 2013

Dr. 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 review of the fiscal benchmarks of the California Department of Corrections and Rehabilitation's "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. The California Department of Corrections and Rehabilitation's (CDCR) response is incorporated into this final report. CDCR is in agreement with the report and offered additional comments explaining the nature of certain results. While we cannot confirm CDCR's remarks, we look forward to evaluating CDCR's continued progress in meeting the Blueprint fiscal benchmarks. We recognize this is the first year of the Blueprint's implementation and appreciate CDCR's willingness to develop and include Blueprint specific monitoring within its overall reporting practices. 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 L. McCormick, Manager, or Alma Ramirez, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Mr. Martin Hoshino, Undersecretary, Administration and Offender Services, California Department of Corrections and Rehabilitation
Mr. Scott Carney, Director, Division of Administrative Services, California Department of Corrections and Rehabilitation
Mr. John Wordlaw, Deputy Director, Fiscal Services, California Department of Corrections and Rehabilitation
Mr. Bryan Beyer, Deputy Director, Office of Audits and Court Compliance, California Department of Corrections and Rehabilitation
Ms. Sue Johnsrud, Director of Operations, Office of the Governor
Mr. Steve Acquisto, Chief Deputy Legal Affairs Secretary, 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, California State Assembly
Ms. Amy Leach, Journal Clerk, California State Assembly, Office of the Chief Clerk

Performance Audit

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

135225055

March 2013

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

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Results Summary

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, Office of State Audits and Evaluations (Finance) reviewed CDCR's progress in achieving the Blueprint's fiscal benchmarks 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 include:

- Elimination of 5,549 positions.
- Reduction of institutions' inmate average daily population (ADP) to 119,724 by June 30, 2013.
- Reduction of out-of-state contract facilities' inmate ADP to 9,038 by June 30, 2013.
- Reduction of adult parolee ADP to 72,366 by June 30, 2013.
- Improving access to rehabilitative programs.

Our audit 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.

Results

Based on our review of documentation, other information made available to us, and interviews with key staff, CDCR has made substantial progress, and is likely to achieve the overall 2012-13 Blueprint fiscal benchmark of $1 billion by June 30, 2013. The forecasted reduction of out-of-state contract facilities and adult parolee ADP is also likely to be met. Although the overall fiscal benchmark may be met, position reductions may not be achieved. Projections indicate position reductions will be below the Blueprint forecast by 63.7 positions. Projections also indicate the institution ADP will be 3,026 above the forecasted Blueprint levels. Additionally, only $3 million of the $19 million Blueprint augmentation for academic and vocational education within the Division of Rehabilitative Programs is projected to be expended by June 30, 2013.

BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

The mission of the California Department of Corrections and Rehabilitation (CDCR) is to improve public safety through evidence-based crime prevention and recidivism reduction strategies.

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. 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 population levels.[1]

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).[2] 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 dollars 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 savings and position reductions are organized into the following seven operational areas:

- Headquarters and 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)

[1] The Future of California Corrections – A Blueprint to Save Billions of Dollars, End Federal Court Oversight, and Improve the Prison System.
[2] Blueprint is located on CDCR's website – www.cdcr.ca.gov

Key components in achieving the fiscal year 2012-13 fiscal benchmarks include:

- Elimination of 5,549 positions.[3]
- Reduction of institutions' inmate average daily population (ADP) to 119,724 by June 30, 2013.[4]
- Reduction of out-of-state contract facilities' inmate ADP to 9,038 by June 30, 2013.[5]
- Reduction of adult parolee ADP to 72,366 by June 30, 2013.[6]
- Improving access to rehabilitative programs.[7]

The 2012-13 Budget Act reduced CDCR's appropriation by approximately $1 billion and authorized staffing levels by 5,549 as outlined in the Blueprint.

In accordance with Penal Code section 5032, CDCR is responsible for establishing appropriate oversight, evaluation, and accountability measures to achieve the Blueprint's fiscal benchmarks. This includes a periodic review, conducted by the Department of Finance, Office of State Audits and Evaluations (Finance), assessing the fiscal benchmarks of the Blueprint. The Office of Inspector General is responsible for conducting an objective, metric-oriented oversight and inspection program to periodically review delivery of the reforms identified in the Blueprint in accordance with Penal Code section 6126.

SCOPE

In accordance with Penal Code section 5032, Finance reviewed CDCR's progress in achieving the Blueprint's fiscal benchmarks totaling approximately $1 billion for fiscal year 2012-13.

Our audit objectives were as follows:

- Obtain an understanding of the Blueprint's fiscal benchmarks and any subsequent revisions thereto, including internally developed interim action plans and timelines.
- Gain an understanding of the methodology used to develop the Blueprint's fiscal benchmarks.
- Obtain an understanding of the relevant internal controls and perform procedures to determine reliability of underlying data.
- Compare actual year-to-date expenditures and savings against interim fiscal targets and determine progress in achieving annualized benchmarks.
- Evaluate the reasonableness of CDCR's projected results from operations.
- Conclude on CDCR's progress in achieving the fiscal year 2012-13 fiscal benchmark savings of approximately $1 billion, including position and inmate and parolee population reductions.
- Provide recommendations to assist CDCR in strengthening its fiscal benchmark monitoring.

We performed a risk assessment to identify the most significant fiscal benchmarks to focus our audit. Other less significant benchmarks were not evaluated; however, those benchmarks may

[3] Blueprint Appendix A – Multi-Year Savings and Position Reduction Figures, Savings Estimate Table.
[4] Blueprint Appendix A – Multi-Year Savings and Position Reduction Figures, Average Daily Population Table.
[5] Blueprint Appendix A – Multi-Year Savings and Position Reduction Figures, Average Daily Population Table.
[6] Blueprint Appendix A – Multi-Year Savings and Position Reduction Figures, Division of Adult Parole Operations.
[7] Blueprint fiscal benchmark included a budget increase of approximately $19 million and 26.2 positions for academic and vocational education.

be selected for review in our subsequent audits. As such, additional savings or erosions may have occurred during fiscal year 2012-13, but not captured in this report.

Our audit conclusions were formulated by analyzing fiscal year-to-date data as of December 31, 2012 and projections for the period January 1, 2013 through June 30, 2013 developed by CDCR; actual results as of June 30, 2013 may differ from the projected conclusions as reported.

Our audit 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 audit did not include an analysis 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.
    - Cost changes associated with fluctuations of the consumer price index.
- Blueprint's policy components such as the improvement of the inmate classification system and standardized staffing levels, as the responsibility for this review was assigned to the Office of the Inspector General per Penal Code section 6126.
- Efficiency or effectiveness of CDCR's program operations, compliance with laws, regulations, and/or court mandates.

METHODOLOGY

To address the audit objectives, we performed the following general procedures:

- Reviewed the 2011-12 and 2012-13 Budget Acts and interviewed key personnel to gain an understanding of the Blueprint's fiscal benchmarks and the methodologies used to develop and monitor those benchmarks.
- Gained an understanding of relevant internal controls to assess the reliability of underlying data.
- Calculated the June 30, 2013 benchmark erosion or savings by comparing the actual and projected position and inmate ADP numbers to the Blueprint benchmark, and multiplying the difference by the appropriate budget rate. For zero-based budget operational areas such as DAPO and DRP, erosion or savings were calculated by comparing actual expenditures and projections with the 2012-13 Budget Act.
- Evaluated the reasonableness of projections by reviewing the methodology and supporting documents pertaining to the key factors and underlying assumptions used to derive the projections.
- Concluded on CDCR's progress in achieving the fiscal benchmark by adding/subtracting the calculated erosion/savings to/from the Blueprint benchmark and determining the causes for variances, if determinable.

To determine CDCR's progress in achieving the Blueprint's fiscal benchmarks, we applied specific procedures to the operational area line-items as presented in the Blueprint's Appendix A.

To determine the fiscal year 2012-13 position reduction, we compared the number of Blueprint related authorized positions per the 2012-13 Budget Act with CDCR's payroll register as of December 31, 2012. Positions per CDCR's payroll register were calculated by converting regular hours paid by classification using various ranges (i.e. 176 hours is equivalent to one full time position, 88 hours is equivalent to one half-time position etc.). The calculated payroll register positions were reduced by CDCR's April 2013 layoff plan. The filled payroll positions greater than the authorized positions were considered to erode the Blueprint position reduction benchmark.

The filled positions in excess of authorized levels (i.e. Blueprint position erosion) were converted to dollars using the corresponding positions' average budgeted salary plus benefit rates and operating expense and equipment complement. Blueprint results were determined by subtracting the calculated erosion from the fiscal benchmark.

To determine whether the forecasted fiscal year 2012-13 inmate and parolee population reduction would be met, we obtained the actual ADP for July through December 2012 and estimated the January through June 2013 ADP. The annualized ADP was computed by averaging the actual and projected ADP.

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 baseline for current and future years.
- Subsequent augmentations or reductions to CDCR's overall budget authority do not amend the Blueprint fiscal benchmarks.
- Positions in process of abolishment and/or vacated as of December 31, 2012 are not re-established and/or re-filled.
- Pending staff layoffs are effective April 30, 2013.
- Contract facilities' ADP remains consistent with December 2012 levels.
- Institution and parolee projected ADP trends are consistent with the population trend incurred during July through December 2012.

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

RESULTS

Based on our review of documentation, other information made available to us, and interviews with key staff, CDCR has made substantial progress, and is likely to achieve the overall 2012-13 Blueprint fiscal benchmark of $1 billion by June 30, 2013. The reduction in out-of-state contract facilities' inmate average daily population and adult parolee average daily population is also likely to be met. Although the overall benchmark may be met, position reductions may not be achieved. Projections indicate position reductions will be below the Blueprint forecast by 63.7 positions. Projections also indicate the institution average daily population will be 3,026 above the forecasted Blueprint levels.

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

- Headquarters and 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)
- Community Correctional Facility (CCF)
- California Out-of-State Correctional Facilities (COCF)
- Female Alternative Custody Program (ACP)

Budget Reduction

As detailed in Table 1, the projected budget reduction as of June 30, 2013 indicates CDCR will exceed the $1 billion fiscal benchmark by 10.36 percent or $103.2 million.

Table 1: FY 2012-13 Blueprint Budget Reduction Results Summary (Projected)

Operational Area	FY 2012-13 Budget Reduction	Additional Savings/(Erosion)	Projected Reduction as of June 30, 2013
HQ/PA	**$ 68,007,000**	$ (219,956)	**$ 67,787,044**
DAI	**507,548,000**	32,794,306	**540,342,306**
DCHCS	**32,576,000**	0	**32,576,000**
DRP	**59,174,000**	49,559,895	**108,733,895**
BPH	**17,666,000**	(34,983)	**17,631,017**
LA	**61,711,000**	40,111	**61,751,111**
DAPO	**248,772,000**	25,619,494	**274,391,494**
Total	**$995,454,000**	$107,758,867	**$1,103,212,867**
LA – District Attorney	4,504,000	Data not available[8]	
Blueprint Total	**$999,958,000**		

[8] Data pertaining to the District Attorney Local Assistance 2012-13 budget reduction was not provided and therefore, we excluded this line item from our analysis and conclusions.

The Blueprint budget reduction is comprised of staffing and OE&E components and is organized into seven operational areas. Four of the seven operational areas are projected to exceed the fiscal benchmark. The OE&E component is expected to realize the largest savings, approximating $96.3 million while personnel services is projected to have a net savings of $11.5 million. Appendix A details the budget reduction by operational area and component. Significant contributions to the net budget reduction include the following:

- HQ/PA and BPH are not projected to achieve the Blueprint fiscal benchmark. The benchmark erosion occurs primarily because position reductions were made through normal attrition and staff layoffs over a period of several months rather than as of July 1, 2012, as assumed by the Blueprint. Additionally, HQ/PA will not achieve the position reduction forecast by one position, which contributes to the personnel services and OE&E erosion. See the Position Reduction section below for further information.
- DAI did not achieve its position reduction forecast by 57.2 positions. Additionally, the projected inmate ADP is expected to be 3,026 above the Blueprint forecast. The position erosion and higher ADP caused a total institution staffing and OE&E erosion of $16.6 million. [9] However, savings were realized within the institution medical guarding and transportation overtime component. Specifically, personnel services savings related to overtime associated with guarding and transporting inmates for medical purposes is projected to exceed the benchmark by $37.9 million. Additionally, DAI received approximately $6.5 million for the Female Alternative Custody Program; however, the eligible inmate participants remain housed within other programs and therefore, the funds have not been expended as anticipated. As a result, DAI is projected to realize an overall net savings of $540 million. See the Position Reduction and Population Reduction sections below for further information.
- DRP received a $19 million funding augmentation for academic and vocational education; however, only 16 percent or approximately $3.1 million is expected to be expended as of June 30, 2013. CDCR reports delays in hiring academic and vocational teachers and planned re-entry hubs not being fully operational as contributing factors for not expending the funds as anticipated. Additionally DRP is projected to realize additional savings within the substance abuse and community based program components totaling approximately $31.6 million. Included is $20 million pertaining to the community based programs which were not identified for a budget reduction in the Blueprint's fiscal year 2012-13. Parolee underutilization of these programs contributes to the additional savings.
- DAPO is projected to realize overall net savings of $274 million. The OE&E component is expected to exceed the benchmark by $47.4 million. The additional savings is attributable to the decline in parolee population beyond the Blueprint forecast (5,930 ADP) and difficulties with executing contracts pertaining to the High Risk Sex Offender community based program. See the Population Reduction section below for further information.

Position Reduction

A key component in achieving the fiscal year 2012-13 Blueprint fiscal benchmark includes the reduction of 5,549 positions. A majority of the reduction was planned to occur within DAI (68 percent) and DAPO (22 percent). DRP received an increase in position authority for academic and vocational education.

[9] $8.7 million OE&E erosion is attributable to 3,026 institutions' ADP above the Blueprint forecast.

The position reduction is being achieved through the elimination of vacant positions, attrition, and staff layoffs. As detailed in Table 2, CDCR is projected to have position reductions totaling 5,485.4 as of June 30, 2013, which is 63.7 positions below the Blueprint forecast. The benchmark erosion is attributable to administrative positions within DAI, DAPO and HQ/PA. See Appendix B for details by operational area.

Our analysis does not include authorized vacant positions or position reductions beyond the Blueprint forecast. Additionally, for those position classifications where the authority resides for one class code, but can be filled by another, such as Associate Governmental Program Analyst and Staff Services Analyst, we considered the positions as a single classification. Further, we also grouped and analyzed positions that are being phased out due to the institution's standardized staffing model with the new classifications, for example accounting and institution groundskeepers related positions.

Table 2: Position Reduction as of June 30, 2013 (Projected)

Operational Area	Blueprint Reduction	Positions in (Excess) of Authorized	Projected Position Reduction
HQ/PA	204.8	(1.0)	203.8
DAI	3,799.1	(57.2)	3,741.9
DCHCS	266.5	0	266.5
DRP	(26.2)	0	(26.2)
BPH	60.6	0	60.6
DAPO	1,244.3	(5.5)	1,238.8
Total	**5,549.1**	**(63.7)**	**5,485.4**

Population Reduction

The Blueprint forecast's inmate population reductions within the contract facilities, state institutions, and parole system. As shown in Table 3 below, the inmate ADP at state institutions is not projected to meet the forecast by 3,026. The inmate ADP related to the contract facilities, CCF and COCF, is projected to exceed the forecast by 2 and 191 ADP respectively. Lastly, the adult parolee population is projected to exceed the forecast by 5,930 parolees.

Table 3: Average Daily Population Projections FY2012-13

Population	ADP Blueprint Forecast	ADP in (Excess)/ Short of Forecast	Projected ADP
Contract Facilities:			
CCF	600	(2)	598
COCF	9,038	(191)	8,847
State Institutions	119,724	3,026	122,750
Adult Parolee	72,366	(5,930)	66,436

RECOMMENDATIONS

Transparency and fiscal accountability are fundamental aspects in achieving the Blueprint goals. While CDCR monitors its expenditures in comparison to its budget authority and submits updates to the Department of Finance, its monitoring practices do not include a system directly linking its expenditures and projections to the Blueprint metrics. Because data supporting CDCR's Blueprint related budget, position, inmate and parolee reductions was not readily available and/or in a format that facilitated its review, in certain instances we had to apply alternate procedures to evaluate the Blueprint fiscal benchmarks as indicated in the Methodology section of this report.

We recommend CDCR implement practices and mechanisms to track and monitor the Blueprint's fiscal benchmark results in coordination with its overall budget monitoring, including retaining supporting documentation for audit and/or review. Specifically, CDCR should establish practices and mechanisms to track, measure, and regularly report the results of its efforts in meeting the Blueprint's benchmarks including the following:

- Positions eliminated, and fiscal dollar costs avoided or saved in relation to the Blueprint.
- Projections of future spending on capital outlay and local assistance.
- Statistics on rehabilitation of inmates and/or parolees similar and consistent with other inmate populations. A number of statistics were not readily available and/or were only available as of a specific point in time.
- Population of inmates participating in the Alternative Custody Program and Female Residential Multi-Service Center program. Population figures were not readily available and/or were available as of a specific point in time only and not cumulative.
- Projections of parolees at large.

FY 2012-13 Blueprint Budget Reduction Results (Projected)

Operational Area/Program	Benchmark	(Erosion)/Additional Blueprint Savings			Projected Results
		Personnel Services	OE&E	Total	
	A	B	C	D=B+C	E=A-D
HQ/PA Staffing and OE&E	**$68,007,000**	**$(200,728)**	**$(19,228)**	**$(219,956)**	**$67,787,044**
DAI Staffing and OE&E					
Institutions					
Institutions	249,491,000	(7,697,093)	(8,883,560)	(16,580,653)	232,910,347
Overtime	15,000,000	37,979,855		37,979,855	52,979,855
AB 900	15,000,000	0	0	0	15,000,000
	279,491,000	30,282,762	(8,883,560)	21,399,202	300,890,202
Contract Beds					
COCF	81,806,000	(36,387)	4,142,294	4,105,907	85,911,907
CCF	80,661,000	0	113,211	113,211	80,774,211
	162,467,000	(36,387)	4,255,505	4,219,118	166,686,118
FOPS					
FRCCC Contracts	29,366,000	0	464,207	464,207	29,830,207
ACP Contracts	(6,570,000)	0	6,570,000	6,570,000	0
PMP Contracts	807,000	0	266,294	266,294	1,073,294
FFP Contracts	4,368,000	0	0	0	4,368,000
FRMSC Contracts	995,000	0	497,639	497,639	1,492,639
Other Contracts	323,000	0	0	0	323,000
Staffing and OE&E	4,371,000	(166,906)	(2,830)	(169,736)	4,201,264
	33,660,000	(166,906)	7,795,310	7,628,404	41,288,404
DAI Administration	31,930,000	(442,093)	(10,325)	(452,418)	31,477,582
Total DAI	**507,548,000**	**29,637,376**	**3,156,930**	**32,794,306**	**540,342,306**
DCHCS Staffing and OE&E					
Mental Health Care	3,418,000	0	0	0	3,418,000
Dental Health Care	29,158,000	0	0	0	29,158,000
	32,576,000	**0**	**0**	**0**	**32,576,000**
DRP Staffing and OE&E					
Academic and Vocational	(19,060,000)	2,007,114	13,921,662	15,928,776	(3,131,224)
Substance Abuse	76,142,000	(160,598)	11,811,374	11,650,776	87,792,776
Administration	2,092,000	1,943,888	7,908	1,951,796	4,043,796
Community Based	0	0	20,028,547	20,028,547	20,028,547
	59,174,000	**3,790,404**	**45,769,491**	**49,559,895**	**108,733,895**
BPH Staffing and OE&E	**17,666,000**	**(30,282)**	**(4,701)**	**(34,983)**	**17,631,017**
Local Assistance					
Adult Parole	60,997,000	0	40,111	40,111	61,037,111
Adult Probation	(689,000)	0	0	0	(689,000)
Juvenile Parole	1,403,000	0	0	0	1,403,000
	61,711,000	**0**	**40,111**	**40,111**	**61,751,111**
DAPO Staffing and OE&E					
Adult Supervision	176,386,000	(6,804,273)	18,728,120	11,923,847	188,309,847
Adult Community Based	36,653,000	4,634,442	33,873,453	38,507,895	75,160,895
Adult Administration	35,733,000	(19,573,379)	(5,238,869)	(24,812,248)	10,920,752
	248,772,000	**(21,743,210)**	**47,362,704**	**25,619,494**	**274,391,494**
Grand Total	**$ 995,454,000**	**$11,453,560**	**$ 96,305,307**	**$ 107,758,867**	**$ 1,103,212,867**
District Attorney Local Assistance	4,504,000				
Blueprint Benchmark Total	**$ 999,958,000**				

Position Reduction as of June 30, 2013 (Projected)

Operational Area	Blueprint Reduction	Positions in (Excess) of Authorized	Projected Position Reduction
HQ/PA	**204.8**	**(1.0)**	**203.8**
DAI			
Adult Institutions	2,778.1	(53.2)	2,724.9
COCF Contract Beds	184.7	(1.0)	183.7
CCF Contract Beds	117.6	0.0	117.6
FOPS	96.7	(1.0)	95.7
Administration	622.0	(2.0)	620.0
DAI Total	**3,799.1**	**(57.2)**	**3,741.9**
DCHCS			
Mental Health	26.7	0.0	26.7
Dental	239.8	0.0	239.8
DHCS Total	**266.5**	**0.0**	**266.5**
DRP			
Academic and Vocational Education	(26.2)	0.0	(26.2)
DRP Total	**(26.2)**	**0.0**	**(26.2)**
BPH	**60.6**	**0.0**	**60.6**
DAPO	**1,244.3**	**(5.5)**	**1,238.8**
Grand Total	**5,549.1**	**(63.7)**	**5,485.4**

Note: Appendix B does not include position reductions beyond Blueprint benchmarks or vacant authorized positions.

RESPONSE

OFFICE OF THE SECRETARY
P.O. Box 942883
Sacramento, CA 94283-0001

March 22, 2013

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'."

Overall, CDCR is pleased that the audit report recognizes the substantial progress made this fiscal year. Most significantly, the report concludes that CDCR is likely to achieve the overall 2012-13 Blueprint fiscal benchmark of $1 billion and nearly 100 percent of the position reductions by June 30, 2013. CDCR is proud of the accomplishments made during this transitional year, but also recognizes there is more work to do to ensure it meets the benchmarks for position reductions. According to the report, CDCR will fall short of its targeted reductions of 5,549.1 positions by 63.7 positions, a difference of 1.1 percent. However, the report also concludes that CDCR's average daily population for inmates housed in adult institutions will be 3,026 above the forecasted benchmark, partially explaining the excess positions.

CDCR recognizes that it can improve the manner in which it ties expenditures and projections to the Blueprint. Toward that end, CDCR will begin implementing the audit report's recommendation to report more specifically on the Blueprint's fiscal benchmarks in addition to reporting on the Department's overall resource plan, in which the Blueprint changes were embedded. CDCR will also maintain the appropriate documentation that more easily demonstrates the achievement of Blueprint benchmarks for audit purposes.

Moreover, it is important to note that the Blueprint details the new policies, operational changes, and an implementation timeline for a safer and more efficient correctional system. CDCR is confident that its Blueprint will ultimately assist it with meeting the requirements set by federal courts and achieving significant cost savings. Being the first year of the plan, the fiscal year 2012-13 is a transitional year involving significant reductions, redistribution of positions, and large procurements for services to manage, treat, and rehabilitate offenders. While CDCR moves ahead in fulfilling the commitments in the Blueprint, there have been changes to anticipated timelines as the complexities of managing hiring and position redistributions during layoffs and executing new contracts while downsizing were navigated. These were significant operational challenges to balance, and CDCR placed a premium on managing all of this change within resources.

CDCR is appreciative of the work performed by the Department of Finance and would like to offer additional comments to clarify how it achieved some of the numbers reported in key operational areas:

Division of Adult Institutions

The report concludes that the Division of Adult Institutions is projected to save an additional $33 million at the fiscal year end when compared to the benchmark. As a result of realignment and the overall reduction in the inmate population, CDCR reduced overtime expenditures through efficiencies in scheduling and transporting inmates to appointments. Temporary measures, such as redirecting custody staff and using permanent-intermittent correctional officers in lieu of overtime, have also significantly contributed to this savings amount.

Division of Rehabilitative Programs

CDCR recognizes that it may not fully expend all of the funds allocated this fiscal year for rehabilitative programs. The initiation of some program expansions and procurement activities has been delayed due to hiring difficulties in key vacancies while navigating a complex layoff and reemployment process. This also contributed to savings as noted in the report. The Division of Rehabilitative Programs (DRP) has increased its hiring and procurement activities, and will better utilize budgeted resources in the latter half of the fiscal year.

CDCR is committed to improving rehabilitative programming within its institutions and a continuum of care within the community. This is a significant undertaking during a period of unprecedented change within its institutions and parole divisions impacting both staff and offenders. The DRP has made progress during the first six months of the Blueprint and is confident that it will continue to make positive strides toward meeting the overall goal.

Division of Adult Parole Operations

According to the report, the Division of Adult Parole Operations (DAPO) is projected to realize savings of $26 million above its benchmark. Included in that amount is savings of $47 million above the benchmark related to operating expense and equipment. This amount is attributable to several factors, such as the decline in the parolee population beyond the Blueprint forecast, savings in Psychotropic medications, improved Casework Services management, renegotiated GPS Contracts, and the timing of the execution of contracts pertaining to the High-Risk Sex Offender community-based programs. However, DAPO's cost of personnel services eroded by $22 million. This is primarily due to the timing of layoffs and position reductions, which occurred October 30, 2012, rather than July 1, 2012, as assumed in the Blueprint.

CDCR would like to thank the DOF 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