

# **FINAL REPORT**

## **MAINE STATE BOARD OF CORRECTIONS**

Accounting & Consulting Services  
Contract # CT95E 20120125-3230

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*Proven Expertise & Integrity*

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## Background

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RHR Smith & Company, Certified Public Accountants, is a Maine firm headquartered in Buxton which has provided audit, accounting and consulting services to Maine governments for over 15 years. In February, 2012 we were engaged by the Maine State Board of Corrections (BOC) to provide accounting and consulting services, to allow the Board to evaluate the accuracy and effectiveness of the financial accounting systems used by counties to reflect the financial needs of their correctional facilities in the context of county budgets. The resulting information is designed to help the Board meet its goals and statutory mandate to reduce the costs associated with county administration of 15 correctional facilities across Maine.

Our firm was expected to have a working understanding of how county and regional corrections budgets are developed and funded. We gained this understanding over ten years as auditors for up to seven counties and a regional jail authority. When the BOC was formed and counties were obliged to account for jail funding separately from counties, we were able to assist our counties with that process, and have audited eight county correctional facilities since then.

In addition, the BOC specifically engaged our firm to undertake the following:

1. Gather revenue and expenditure information for each county or regional correctional facility for fiscal years 2010 and 2011, conduct a comparative analysis of significant variances, and explain those variances.
2. Review and analyze county correctional services fund balance data, and develop a fund balance proposal for consideration by the Board. The proposed fund balance policy would balance the needs of individual county and regional facilities with the limitations of the BOC Investment Fund.
3. Analyze similarities and differences in line item expenditures by County and object code, and recommend changes that will make county level data more consistent and easier to compare.
4. Identify potential savings that could be achieved through consolidated spending and economies of scale.
5. Evaluate and analyze the CRAS system to ensure the BOC makes disbursements based on accurate financial information.
6. Help the BOC develop a coherent capital plan to address the needs of county corrections infrastructure.
7. Suggest strategies to ensure compliance with the BOC's financial reporting system.
8. Recommend ways to enhance the financial reporting system to increase confidence in the budgets, projections and reporting data submitted, based on a review and analysis of audited financial statements from county and regional jails.
9. Recommend changes in policies and procedures to streamline the BOC's processes, identify areas of potential efficiencies and reinvestment strategies, and suggest methods to improve the overall integrity of the correctional accounting system.

RHR Smith & Company personnel met with staff from each county and regional corrections facility, financial personnel and others in order to

1. Gather needed financial information, including audits and financial reports providing

detail and other information.

2. Understand each facility's process for accounting for corrections expenditures.
3. Understand the dynamics of, and relationships between, circumstances and data that affect the financial information.
4. Understand the concerns, frustrations, and hopes individuals have with the coordinated county system and its funding methodology.
- 5.

In addition, we studied CRAS reports, attended BOC meetings, met with staff, and reviewed material posted on the BOC web site.

Conclusions and recommendations were formulated based on the analysis of financial data, as well as information gathered from personal meetings and observations.

This report summarizes relevant issues and concerns, then provides conclusions and recommendations. Sample documents are included in the Appendix. Financial data is provided as a separate document.

## Relevant Issues and Concerns

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### History

The purpose of the State Board of Corrections is “to develop and implement a unified correctional system that demonstrates sound fiscal management, achieves efficiencies, reduces recidivism and ensures the safety and security of correctional staff, inmates, visitors, volunteers and surrounding communities.” While this goal is well known, and applauded by many, the ability of the BOC to reach its full potential and meet its objective has been frustrated by a variety of issues.

The creation of the BOC was controversial due to the unprecedented role of the State government, primarily through the Department of Corrections, in county corrections. The logic in sharing the capacity to house inmates, the costs of programs, and other system-wide responsibilities was obvious. The assumption that savings would be achieved on a scale that would benefit everyone in the system was an important aspect of the BOC’s formation. A unified system could control the cost of corrections spending in Maine by combining the scale of state government with the capacity and flexibility of county government. County taxes necessary to fund their corrections system were capped in exchange for making unused space available to house inmates from elsewhere in the system. Any subsequent increase in county corrections cost would be paid by the State, providing potential property tax stabilization on the local level

In response to the perception that the Board of Corrections was focused almost exclusively on managing the county corrections system, the BOC membership was changed by the legislature in 2011 to allow more representation from counties.

This change in leadership has made counties more optimistic that the BOC may be able to achieve its stated mission, and most acknowledge the potential benefits of coordinating goals, programming, cost saving efforts and investments. Counties are less optimistic about the BOC’s ability to achieve dramatic savings.

Moving forward, it is important that the BOC work with counties to leverage the strengths of the county’s correctional systems, and resolve questions about state expenditures for the counties, enabling the BOC to focus on its mission. The loss of local control of county corrections must be balanced by fiscal stability for the counties. Policies must retain county autonomy when appropriate, support coordination within the system, and promote responsibility, accountability, and mutual trust.

## Financial Concerns

Financial and related policies are essential. They can help clarify legislative intent, record and communicate BOC directives, and create a repository of information about how the BOC does business. Operating without adequate policies invites uncertainty, inconsistency and error, which can in turn contribute to many other difficulties..

### Policy

- One of the BOC's largest obstacles to meeting its stated mission is its lack of capacity to assimilate the voluminous financial information at its disposal into a clear, concise and understandable format that allows for effective and timely decision making. As a result, the Board has spent numerous meeting hours discussing and questioning this information in an effort to understand what has transpired.
- There have been instances of inconsistency, resulting from the Counties' lack of clear understanding of their responsibilities, and the BOCs expectations, regarding budgeting, allocations, cash flow needs, fund balance and contingency funding. This makes it difficult to compare data between time periods or counties for meaningful analysis.
- In addition, the counties often seek help and advice in understanding their reporting responsibilities, planning investments and anticipating their cash flow. The BOC does not currently have the ability to provide authoritative assistance.
- The role of a fiscal agent is to oversee an agency's funds. Typically, this includes posting receipts, processing payments, and reporting the results. The BOC's fiscal agent is performing beyond the scope of this role. It is inadvisable and inappropriate for a fiscal agent to be participating in decisions, offering advice regarding future expenditure decisions, or being called upon to assist counties.
- The BOC suffers from a lack of clear policies for its own operation, and for the fiscal responsibilities of the counties. This results in confusion, a lack of consistency, and a misdirection of time and energy.
- The vision of a coordinated system will not be achieved without looking at the whole system for budgeting, revenues, and expenses. The effect on the system of other income received, such as board federal prisoners, is not considered. A "their money, our money" mentality still exists.
- The system of subsidizing county corrections through the Investment Fund removes incentives for counties to reduce costs. Policies that fund the *system*, rather than individual counties, are needed in order to make counties participate as full partners in cost containment.
- CRAS reports can be burdensome for counties to create, depending on the type and

functionality of accounting systems used, and the availability of staff. CRAS reports provide more information to the BOC than it is currently using, and omits other important information, such as transfers, fund balances carried over, and expenses paid from accounts outside their General Fund.

- A number of areas pose challenges for the Investment Fund itself. BOC lacks policies for dealing with counties' capital and non-capital contingencies. This makes demand on the Investment Fund hopelessly unpredictable. In addition, there is no accounting for unfunded liabilities, such as accrued vacation, retirement and other benefits. As of June 30, 2011, there were unfunded liabilities in the county corrections system amounting to over \$2.5 million, which are ultimately the responsibility of the Investment Fund. Finally, the costs of litigation or legal issues involving county jails would also need to be covered by the Investment Fund.

### Procedures

There are a number of procedural concerns that are affecting the BOC's ability to understand the true cost of county corrections, and to be assured that counties are stating their financial position accurately. Unclear or inconsistent procedures can also create misinformation and misunderstanding, eroding trust and credibility.

- There are many inconsistencies with how counties code expenses for reporting and budgeting, and how they allocate expenses. These are usually related to wage classifications, benefits and administration. Some county jails have dedicated administrative personnel, some counties help administer the jails by providing staff. This is frequently not covered by the jail side, meaning many jails have expenses that are "off the books." Some counties allocate the costs of administration, benefits, and other expenses to the jail, but there is no consistency among the counties in what they allocate and how they do it.
- Besides the lack of accurately allocating county costs to the jails, there are other operating costs that are not reflected in jail budgets and reports provided to the BOC through CRAS, such jail and inmate expenses being paid from inmate benefit accounts, reserves, and grants.
- There is no requirement in the BOC's enabling legislation for jails to provide copies of their audits to the BOC, and no guidance relating to the audit standards county jails should use. There is no process in place to adequately reconcile CRAS reports and audits, or to interpret variances.
- CRAS coding and compliance by the counties was a concern of the BOC, but we found no evidence that counties were deliberately falsifying the CRAS upload. Instead, we noted that audit adjustments, transfers and other financial information that was not captured in the CRAS system resulted in variances between CRAS reports and actual county expenditures. Difficulties in CRAS coding are often the result of accounting systems that make it difficult to reconcile charts of accounts accurately, and different interpretations of what should be included in various

spending categories.

- There is no process to monitor and report all activity in the investment fund, and no process for verifying legislated revenues are being deposited into the investment fund. For example, it came to our attention during this process that the BOC's enabling legislation provided that interest earned on special revenue funds be deposited in the Investment Fund. However, that directive was not relayed to the Maine State Treasurer, and the deposits never made, resulting in an estimated loss in Investment Fund revenue of over \$100,000.



## Management Concerns

Adequate management is inextricably linked to sound financial decisions. The following areas of concern with general management were identified.

- Financial reports are provided to the BOC that are based on the status of the Investment Fund, and on financial reports provided by the counties on CRAS. The source and timing of the information in the reports is not provided, making it difficult to reconcile with other information that is made available. The format of the reports is inconsistent, can be unclear and confusing to BOC members and to the counties, and doesn't segregate actual, projected and budgeted data. All this makes it difficult for the BOC to confidently use this information in making decisions, and also results in doubt, defensiveness and suspicion, creating another obstacle to productive working relationships between counties and the BOC.
- There are no internal policies that clearly define goals, roles and responsibilities of the Board, staff and fiscal agent. There is no job descriptions that clearly delineates responsibilities for the BOC Executive Director, and no written definition of the role of the fiscal agent.
- The fate of the BOC is in many ways in the hands of the legislature. There is no proactive effort to educate members of the legislature's relevant policy committees, the Joint Standing Committee on Criminal Justice and Public Safety, and the Joint Standing Committee on Appropriations and Financial Affairs. In addition, there was no financial report made in the BOC's annual report to the Criminal Justice Committee as required by Title 34-A MRSA Section 1803.10, reportedly due to a lack of confidence in the financial information available at the time.
- The need to find cost savings is a perennial concern, yet some initiatives suggested by former focus groups established by the BOC have not been acted on, such as suggestions for coordinating information technology. Since costs are not categorized consistently, it may be time consuming to identify and quantify potential savings. Using information technology as an example, IT costs may be included in capital, wages and/or contracts, making them difficult to isolate and measure.
- There is a need for improved communication, most notably with the plethora of information made available on the BOC website. Information is provided by meeting date and includes not only agendas and meeting minutes, but also handouts, draft documents, letters, PowerPoint presentations, financial reports and other information. Clearly, the intention is transparency and public disclosure of all BOC business. Information should be reorganized or cross referenced to also indicate the content, making it easier to distinguish between official policy documents, financial information, and other resources.

## **Environmental Concerns**

There are some concerns that have a tremendous impact on the cost of county corrections which are not within the control of the BOC or the counties, but should be acknowledged.

### Wages

Once counties are locked into union contracts, there is little hope of reducing wages. This is a tremendous concern for the system, because a full 67% of 2011 county jail expenditures were related to wages and benefits.

### Public Safety Initiatives

Initiatives to increase enforcement efforts in domestic violence, substance abuse and other public safety areas, while welcome, do have direct impacts on county jails through increased incarceration, and holding while awaiting trial.

### Public Policy

Similarly, even seemingly unrelated public policy changes such as cutting benefits for mental health services may have the unintended consequence of increasing incarceration, and end up straining the county jail and court systems.

### Costs of Inputs

Fuel, food, and other necessary inputs used for the basic well being of prisoners can be costly (in 2011 utilities and food represented 9% of all county jail expenditures). Aside from efficiencies or savings realized through individual contracts, these costs are difficult to predict or control.

### Courts

Docket management, sentencing and bail processing all affect the duration of time spent in county facilities, and therefore the overall cost per prisoner. Diversion, alternative sentencing and other strategies can mitigate this, but essentially it is a pervasive issue affecting the cost of county corrections that is largely out of their control.

### Federal Inmates

Housing federal inmates has provided a welcome revenue stream to some counties, but it is an unpredictable source of revenue with an uncertain future. Many feel new federal prisons opening elsewhere in New England may siphon federal prisoners away from county facilities.

### Lack of Funding

Even though State General Fund revenue to the BOC was recently increased, it will be a challenge to raise additional necessary funds to ensure appropriate capital investments are made, operating needs of the county jails are met, and the so called “inverse debt” is included in the BOC appropriation for repayment to the counties.

## Recommendations

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All the following recommendations are based on four vital needs identified through our work with the BOC:

1. The ability to capture, analyze and interpret financial information that is reliable, credible and accurate is essential to the BOC's success. This information can be used to make routine decisions, project future expenditures, and communicate the current and future needs of the Investment Fund to counties, the general public and the legislature with confidence.
2. Analyzing and reconciling financial information before meetings can help free up the BOC to focus on its stated mission. Many initiatives already discussed, all of which could contain costs and improve outcomes for county corrections, will require the time and ability to engage in strategic planning, cost benefit analyses, and building partnerships.
3. A system of policies, procedures and monitoring that encourages desired outcomes and mutual trust is needed to help the BOC manage the Investment Fund, and help counties manage their budgets appropriately.
4. Strategic and reliable two-way communications are needed with all "constituent" groups: the counties, the general public, the courts, and the legislature.

## Finance Recommendations

1. The BOC should hire an analyst to assist them with gathering, interpreting and reporting financial data. Working with the Finance Committee (see Recommendation #2) they should provide information to the BOC to assist them in making decisions regarding payments to the counties from the investment fund, as well as ensure that financial policies and procedures are followed. The Financial Analyst should also assist the counties with correctly submitting budgets, financial reports and other requests to the Investment Fund. The analyst should assist the BOC with developing its own operating budget, prepare financial reports for the legislature, prepare monthly financial reports and projections, reconcile CRAS reports regularly, reconcile county jail audits with CRAS annually, and perform other related tasks. The Financial Analyst will also work with the Fiscal Agent to verify relevant financial information regarding the Investment Fund.
2. The BOC should replace the current Budget Focus Group with a Finance Committee comprised of members of the BOC and others. This committee should ensure that the BOC's priorities are communicated to the Financial Analyst, and should assist the BOC in preparing financial policies and procedures. They can review and approve draft reports, review financial information from the counties, draft an operating budget for the BOC, and represent the BOC's interest in regular meetings with the Financial Analyst. This Committee should ensure that information obtained from CRAS is reconciled quarterly with information from the counties, and review audits submitted by the county jails.
3. The Finance Committee, working with the Financial Analyst, should develop a Guidance Document for the counties. This document will clarify how to code expenses, implement the BOC's fiscal policies, give instructions on how to submit emergency requests, outline a process for dispute resolution, provide a timeline for submitting budgets, and other information that will help counties account for revenue and expenses consistently and correctly.
4. The Finance Committee and the Financial Analyst should prioritize information needed by the BOC from the CRAS reports. With proper agreements, procedures and monitoring in place, detailed information will become less necessary. When funding allows, the CRAS system should be modified to include a simpler, more straightforward format.
5. The so-called "Marginal Cost" that informs what the state pays to board prisoners at county facilities should be updated annually, using the same methodology used by the DOC.<sup>1</sup> This will allow the costs to be compared within the system, averaged for the whole county system, and used to educate the legislature and others about the cost of corrections in Maine, as well as ensure that costs are not being shifted from one level of government to another.
6. Enter into contracts with the county jails that explain the BOC methods and timing for making payments, and the counties' obligations for following BOC budgeting and reporting procedures (per the Guidance Document). The contract should specify the consequences of repeated noncompliance. These consequences could be withholding county payments from

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<sup>1</sup> *Cost Per Prisoner in the State Correctional System* OPEGA Information Brief, June 8, 2012

the Investment Fund. The contract should set forth requirements for county jail audits.

7. Auditing and monitoring should be incorporated into the BOC contracts with the counties, and the Financial Analyst should be responsible for ensuring requirements for auditing and monitoring be followed. All county corrections audits should be performed according to Government Auditing Standards (Yellow Book) and include monitoring for contract compliance. Counties should submit a copy of their county audit management Letter to the BOC. Jail audits should include a reconciliations form, to tie audited amounts to county CRAS uploads. These procedures will ensure that there is agreement and understanding, and verify compliance and accuracy. Counties who are found to be out of compliance with provisions of the contracts will work with the BOC to develop a corrective action plan, which could include training and additional monitoring. Repeated noncompliance should be addressed as stated in the contract.
8. Monthly financial reporting to the BOC, made by the Financial Analyst, should be consistent with the BOC's pre-determined reporting package. They should include financial statements that show the current status of the Investment Fund including approved obligations to the counties. (Balance Sheet). They should include budgeted and actual payments to and from the Investment Fund, as well as budgets and actual revenue and expense for the counties. They should be dated, and reference source data and other information. Straightforward reports can be supplemented by other financial analysis of concern to the BOC, as directed by the Finance Committee
9. Financial policies and procedures as they apply to the BOC should be developed. They should include timing for payments to counties, and the process and responsibility for approving payments that are subsequently submitted to the Fiscal Agent. If county budgets are approved by the BOC, and payments from the Investment Fund are accounted for in projections, forms to requisition funds should be created that can be signed by the BOC Chairman, referencing the date of BOC approval. This will regulate the payment process as well as create a predictable schedule by which counties can expect payment. Any resulting overpayments can be accounted for through a Fund Balance Policy. (See Recommendation 10)
10. A Fund Balance Policy should be developed and approved by the BOC, which is consistent with current statute. Title 30-A, Section 924.2 allows county governments to keep up to 20% of their tax assessment in reserves. The fund balance analysis included with the Financial Data shows that only two counties have close to 20% of their expenditures in fund balance. It is generally recommended that government entities have up to 60 days of cash on hand (fund balance) in order to manage cash flow and handle any emergencies that may arise. Only 2 counties have 60 days. Most (12) have seven days or less, or about 2%.

It is vital that a fund balance policy allow counties to reserve cash for their needs, reflect the policies and priorities of the BOC, and provide an incentive for counties to save money. The policy will help avoid the need for counties to come to the BOC to get money for cash flow, limiting requests to operational deficits only. The policy should recommend the percentage of fund balances that counties may reserve for capital projects, contingencies and operations. Contingency reserves should be used to mitigate unfunded liabilities. Transfers

of fund balances should be authorized by the BOC and reported on the CRAS. The BOC should regularly assess fund balances, which should be verified by each county jail's audit, to ensure that they are below the 20% threshold, and that they are consistent with the BOC's allocation priorities. A recommended Fund Balance Policy is included in the Appendix.

11. Capital Improvement Planning should be done by the counties and in turn by the BOC through a regular annual process to coincide with the budget process. The following portions of the CIP Policy Statement should be incorporated into the Guidance Document for Counties (Recommendation #3): (1) Purpose (2) Capital Replacement Planning, and (3) How to value capital Assets. A sample capital plan and a template to assist counties should be provided by the BOC and used by the counties.

Using this information submitted by the counties, the BOC, assisted by the Financial Analyst, should aggregate the information to develop a system-wide CIP, then determine which capital projects it will be able to cover from the Investment Fund, those that should be covered by Capital Reserves on the county level, and which projects represent unmet needs. The BOC capital plan should also include any building or regional needs approved through its Certificate of Need process. The Capital Improvement Plan should be included in the BOC's requests for state funding, either through the General Fund, or bonding. This is vital not only to obtain funding, but also to educate the legislature and the general public on the true cost of corrections. A sample system-wide Capital Improvement Plan is included in the Appendix, as well as a sample CIP and template.

12. A process should be in place to verify emergency capital requests over \$100,000 (or another amount as determined by the BOC). This process may include a uniform request form, required backup information, and evidence that the county went out to bid in procuring the improvement.
13. Any payments made from the investment fund that do not go through the BOC approval process, such as some transfers to other state agencies, should be reported to the BOC in advance, and included in financial reports on the Investment Fund. Similarly, any revenues due to the Investment Fund, especially legislated additions to special revenue accounts, should be monitored by the BOC Financial Analyst.
14. Potential efficiencies identified through this process will come from improved, coordinated management and operations (increased productivity), not from direct savings and decreased expenditures. For example, computerized inmate management systems, modernized facilities that utilize fewer staff per inmate, and existing transportation hubs help to avoid costs by increasing efficiency. The most significant portion of county jail budgets is spent on wages, and there is little opportunity to lower this cost, except for long term strategies that gradually reduce the number of staff needed. Any other effort at achieving savings should be analyzed to determine the cost and benefit of those initiatives, since they will represent a relatively small portion of the overall corrections budget. For example, how much money would be saved by identifying a common vendor, and would the savings be worth the time spent planning and coordinating this effort?

Replacing aging facilities may be one long term way to achieve savings in wages, but these savings may be offset by new debt service, technology maintenance or other new costs. If

the BOC is to work toward this long term goal, they need to revisit the major substantive rule making process to develop a Certificate of Need policy, since, according to the Maine Secretary of State's office, the certificate of need rules passed by the legislature were not formally adopted by the agency and never went into effect.

15. The BOC is well positioned to apply for grants and seek other funds to help with "start up" costs for statewide or multi-county corrections initiatives, particularly in programming, technology and other areas of innovation. Ideas generated by the past efforts of BOC's Focus Groups should be reviewed for suggestions. The Executive Director should routinely explore sources of grant funding to understand granting priorities, and watch for possible opportunities.
16. CRAS coding and compliance will best be improved by implementing guidance and monitoring processes described in recommendations #3 and #6. It is also important to adjust the CRAS report to capture information of transfers, audit adjustments, and other financial data.

## Management Recommendations

1. Develop by-laws, policies and procedures, and job descriptions for the BOC. These basic governance and management documents are essential to current and future operations.
2. BOC staff should be responsible for administration, financial analysis, program and contract management and compliance. Currently, all these responsibilities would fall to the Executive Director. We have recommended a Financial Analyst be added to BOC staff as soon as possible.
3. Develop and execute contracts between the BOC and the counties. This is the only means available for the BOC to exercise authority over the use of the state funds they provide. These documents should also detail the BOC's responsibilities to the counties, and should help the relationships between the BOC and the counties evolve into a cooperative, mutually beneficial partnership.
4. The BOC should proactively educate appropriate legislative committees. An annual communications plan should include web site features, and specific forms of outreach, as well as strategies for gathering and managing input. Information on the web site should be organized and prioritized. The web site should include a "bulletin board" feature to allow questions from counties and answers from the BOC to be posted. This could become a resource for counties to get immediate answers to common questions.
5. The BOC should reach out to the judicial system to educate them on the impacts of sentencing and scheduling policies on the system.



## Recommended Legislative Changes

1. Title 30-A, Section 924, Subsection 2 states that counties may not reserve more than 20% of “the amount to be raised by taxation”. Since the amount raised for county corrections by taxation is capped, the amount counties can reserve for corrections is also capped. In order for savings to be passed along to the system, that statute should be changed to allow fund balances to be based on 20% of corrections expenditures, which will include county tax assessment, and other sources of revenue.
2. Legislation should be introduced to allow the BOC to have borrowing authority. In this way, money available in the Investment Fund and county fund balances for capital projects could be leveraged by using this amount for debt service on more or larger capital improvement projects.

## Long Term Recommendations

1. The BOC should eventually revisit the issues of tax caps, Community Corrections distributions, and the responsibilities of counties that have no jails. This should be done in the context of any policy changes or initiatives that could allow the counties to have flexibility. For example, if disparity in wages continues to be a concern, the BOC may want to institute a policy that caps the percentage of county corrections budgets that can be spent on wages. If a county chooses to exceed this cap, they would need the ability to raise additional funds locally.
2. As counties build up adequate reserves, the BOC should institute a policy that limits the kinds of requests that can be made of the BOC outside the regular budget process. This will increase predictability and assist the BOC in planning.
3. While the BOC is a good vehicle for coordinating county and state corrections, it is apparent that the majority of its work is focused on operating county jails. Many assume the only way to achieve real savings is for the State of Maine to assume all ownership and responsibility of the county jails, however, we think that is ill-advised. Any changes to the existing system should acknowledge and incorporate the many strengths of county based corrections, even if a more formal means of coordinating effort is necessary. Toward that end, we suggest the following model be considered:
  - Create the Maine Regional Jail Authority. The Authority would be governed by Sheriffs and Commissioners representing every county and the BOC. The Authority would own all the county jail facilities, employ all jail staff, and assume all county jail debt. Wages could be regionalized through a formula similar to the one used by the Department of Education. With state owned facilities, improvements could be planned and funded directly through general obligation bonds. System savings could also be potentially be used to fund debt service on revenue bonds.

## **Appendix**

**SAMPLE CAPITAL IMPROVEMENT PLAN**  
**County of Anywhere**  
**Corrections Capital Improvement Plan**  
**May, 2012**

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**Purpose**

This is a planning tool that can be used to manage the continuing need to replace or add equipment, buildings, land and other capital assets. It is also a record of what assets are owned or under some form of control by the County Jail. The purpose of this plan is to provide a method of planning that combines the needs of all departments within county corrections.

For individual departments, the County of Anywhere has practiced capital improvement planning in the past. This plan continues that effort to coordinate a comprehensive approach with supporting information.

This capital improvement plan not only addresses the maintenance and replacement of existing assets, it also looks ahead for future needs, projects and mandates. The desired product is a guide to be used in preparing comprehensive annual budgets. After each annual budget is adopted, the plan should be revised for use in the next annual budget preparation.

**Continuous Maintenance and Development**

This capital improvement plan will be maintained on a regular basis (at least annually). The Jail Administrator, department heads and board/committee leaders will be responsible for updating the inventory of assets on an annual basis. Upon the completion of updating the inventory of assets the Jail Administrator, with input from department heads and board/committee leaders, will be responsible for developing a plan for the last year of the ten year plan as well as updating the first five years of the plan.

Once the plan has been updated, it shall be presented to the County Commissioners and the Budget/Finance Committee for their review and input. Concurrently, the plan shall be incorporated into the proposed annual budget.

## **Inventory/List of Capital Assets**

See: Appendix A.

## **Comprehensive 10 Year Plan** *(outlook to 10 years)*

See: Appendix B (project acquisition and funding table)  
Appendix C (debt schedule)

## **Detailed Yearly Plans**

### **Detailed Yearly Plan (2013)**

#### **Administration**

- Replace and/or upgrade the oldest PCs in the jail administration office. This will be an annual appropriation to ensure a timely rotation of technology in administration functions.
- Replace 2 air conditioning units in Jail visiting area..

#### **Jail Facility**

- Purchase new radios. This will be an annual appropriation that is necessary to continue a rotating inventory. Radios typically have a 5 to 7 year life expectancy. There are 60 members/employees in this department. 45 to 60 radios are deemed to be an adequate supply.
- Replace heating/cooling system. This is an expected replacement schedule for 5 years after the useful life.
- Purchase a new inmate transport van. The currently used van is 15 years old, and repair costs have exceeded budget lines in the past three years.
- Upgrade inmate monitoring system. The new system adds motion sensing capabilities.

### **Detailed Yearly Plan (2014)**

#### **Administration**

- Replace and/or upgrade the oldest PCs.. This will be an annual appropriation to ensure a timely rotation of technology in administration functions.
- Purchase new radios. This will be an annual appropriation that is necessary to continue a rotating inventory. Radios typically have a 5 to 7 year life expectancy. There are 60 members/employees in this department. 45 to 60 radios are deemed to be an adequate supply.

- Repair Jail roof. Recent investigations have concluded rubber is the most durable material for the price. Life expectancy is 20 years.
- Construct storage outbuilding. This will free up space inside the facility needed for future server upgrades and technology needs.

## Detailed Yearly Plan (2015)

### Administration

- Replace and/or upgrade the oldest PCs.. This will be an annual appropriation to ensure a timely rotation of technology in administration functions.

### Jail Facility

- Purchase new radios. This will be an annual appropriation that is necessary to continue a rotating inventory. Radios typically have a 5 to 7 year life expectancy. There are 60 members/employees in this department. 45 to 60 radios are deemed to be an adequate supply.
- Upgrade computer servers to accommodate new inmate monitoring system, to come on line in 2016.
- Install air flow system in server room.
- Upgrade fire suppression system. These systems must meet state fire marshal regulations, and the age of this system indicates improvements will be needed.

## Detailed Yearly Plan (2016)

### Administration

- Replace and/or upgrade the oldest PCs.. This will be an annual appropriation to ensure a timely rotation of technology in administration functions.

### Jail Facility

- Purchase new radios. This will be an annual appropriation that is necessary to continue a rotating inventory. Radios typically have a 5 to 7 year life expectancy. There are 60 members/employees in this department. 45 to 60 radios are deemed to be an adequate supply.
- Purchase inmate monitoring program and associated computer monitors and drives.
- Replace two Zoll Cardiac Monitors. These units are required to be replaced every 5 years. They are also used as a defibrillator.
  - Plumbing and electrical upgrades will be needed to address new codes.

## Detailed Yearly Plan (2017)

### Administration

- Replace and/or upgrade the oldest PCs.. This will be an annual appropriation to ensure a timely rotation of technology in administration functions.

### Jail Facilities

- Purchase new radios. This will be an annual appropriation that is necessary to continue a rotating inventory. Radios typically have a 5 to 7 year life expectancy. There are 60 members/employees in this department. 45 to 60 radios are deemed to be an adequate supply.
- Repair interior walls, floors and windows.
- Replace backup generator, aged 10 years.

## Detailed Yearly Plan (2018)

### Administration

- Replace and/or upgrade the oldest PCs. This will be an annual appropriation to ensure a timely rotation of technology in administration functions.

### Jail Facility

- Purchase new radios. This will be an annual appropriation that is necessary to continue a rotating inventory. Radios typically have a 5 to 7 year life expectancy. There are 60 members/employees in this department. 45 to 60 radios are deemed to be an adequate supply.
- Upgrade exercise yard to include handicap access and new fencing.
- Replace floors and improve drainage in bath and shower areas.

## Detailed Yearly Plan (2019)

### Administration

- Replace and/or upgrade the oldest PCs. This will be an annual appropriation to ensure a timely rotation of technology in administration functions.
- Replace / upgrade the existing computer system. The system being replaced will be eight years old. This is needed in order to maintain maximum efficiency and productivity while keeping up with technological advances. With an upgrade, increases in output, quality, capacity, function and efficiency will have a positive impact. While an upgrade will not save the money, it will certainly ensure continued and increased levels of service.

### **Jail Facility**

- Purchase new radios. This will be an annual appropriation that is necessary to continue a rotating inventory. Radios typically have a 5 to 7 year life expectancy. There are 60 members/employees in this department. 45 to 60 radios are deemed to be an adequate supply.
- Rehabilitate and upgrade Jail exterior. This building will be in need of many repairs and demands for added space. The estimate of construction is very rough and plans to secure more accurate figures should be available a couple of years before work is commenced. This facility will need shower/bathroom remodeling (in conformance with various codes and regulations); new ventilation system; possible heating system upgrades; and space addition.

## **Detailed Yearly Plan (2020)**

### **Administration**

- Replace and/or upgrade the oldest PCs. This will be an annual appropriation to ensure a timely rotation of technology in administration functions.

### **Jail Facility**

- Purchase new radios. This will be an annual appropriation that is necessary to continue a rotating inventory. Radios typically have a 5 to 7 year life expectancy. There are 60 members/employees in this department.. 45 to 60 radios are deemed to be an adequate supply.
- Renovate former administrative wind into medical unit. This is a regional need identified by the Board of Corrections, which will pay to equip and operate the unit.

## **Detailed Yearly Plan (2021)**

### **Administration**

- Replace and/or upgrade the oldest PCs.. This will be an annual appropriation to ensure a timely rotation of technology in administration functions.

### **Jail Facility**

- Purchase new radios. This will be an annual appropriation that is necessary to continue a rotating inventory. Radios typically have a 5 to 7 year life expectancy. There are 60 members/employees in this department. 45 to 60 radios are deemed to be an adequate supply.
- Replace second inmate transport van, aged 15 years.
- Repairs and renovations to kitchen and serving areas. These are needed to meet code and improve conditions for workers and inmates..



## Detailed Yearly Plan (2022)

### Administration

- Replace and/or upgrade the oldest PCs in the town office. This will be an annual appropriation to ensure a timely rotation of technology in administration functions.

### Jail Facility

- Purchase new radios. This will be an annual appropriation that is necessary to continue a rotating inventory. Radios typically have a 5 to 7 year life expectancy. There are 60 members/employees in this department. 45 to 60 radios are deemed to be an adequate supply.
- Repair and upgrade staff training and recreation facility. This space performs double duty well, but has not been upgraded since 1991.

COUNTY OF ANYWHERE, CORRECTIONS CIP											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
<b>Improvement</b>											
<b>Administration Systems</b>											
Computer hardware	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	30,000
AC Units	20,000										20,000
New Computer System							60,000				60,000
<b>Jail systems</b>											-
Radios	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000
Heating Cooling System	80,000										80,000
Transport Van 1	35,000										35,000
Computer Systems	20,000		25,000	40,000							85,000
Air Flow system (install)			20,000								20,000
Zoll Cardiac Monitor				19,000							19,000
Roof repair		120,000									120,000
Storage Outbuilding		60,000									60,000
Plumbing and electric upgrades				30,000							30,000
Wall, floor, window repairs					60,000						60,000
Generator					40,000						40,000
Upgrade exercise yard						100,000					100,000
Floors & Drainage						60,000					60,000
Repair Jail exterior							120,000				120,000
Med Wing								60,000			60,000
Transport Van 2									40,000		40,000
Kitchen repairs									100,000		100,000
Staff training repairs										75,000	75,000
Fire suppression			50,000								50,000
<b>(A) Total Purchases</b>	163,000	188,000	103,000	97,000	108,000	168,000	188,000	68,000	148,000	83,000	1,314,000
<b>(B) Debt Payments</b>	86,104	56,038	93,422	79,306	79,500	-	-	-	96,000	186,500	676,870
<b>(C) New Debt Obligation</b>	-	90,000	-	75,000	-	-	-	-	-	-	165,000
<b>(D) Total Debt Obligation</b>	86,104	146,038	93,422	154,306	79,500	-	-	-	96,000	186,500	841,870
<b>Starting Fund balance</b>	206,000	196,000	181,000	166,000	151,000	136,000	121,000	106,000	91,000	76,000	
<b>(E) Use of CIP Res Fund</b>	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	
<b>(F) CIP Res Fund Increase</b>	40,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	-
<b>(G) CIP Res Fund Balance</b>	196,000	181,000	166,000	151,000	136,000	121,000	106,000	91,000	76,000	61,000	
<b>CIP Res Fund Actual</b>											
<b>(H) Annual Unmet Need</b>	199,104	194,038	146,422	126,306	137,500	118,000	138,000	18,000	194,000	219,500	1,490,870

**Sample County CIP Template**

BOC CAPITAL IMPROVEMENT PLAN	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
COUNTY											
Administration Systems	123,000	134,000	85,000	120,000	76,000	134,000	85,000	120,000	76,000	120,000	
Jail Systems	110,000	87,000	45,000	87,000	35,666	87,000	45,000	87,000	35,666	87,000	
Facility Repairs	420,000	245,000	120,000	98,000	300,000	245,000	120,000	98,000	300,000	98,000	
Capital Equipment Replacement	98,000	65,000	87,000	54,000	87,000	65,000	87,000	54,000	87,000	54,000	
Misc	-	12,000	5,000	-	20,000	12,000	5,000	-	20,000		
Total County	751,000	543,000	342,000	359,000	518,666	543,000	342,000	359,000	518,666	359,000	
STATEWIDE CONSTRUCTION											
CON- Regional Facility											
Planning/RFP					100,000						
Construction						34,000,000					
Equipment							5,000,000				
Total BOC	-	-	-	-	100,000	34,000,000	5,000,000	-	-	-	
TOTAL NEED	751,000	543,000	342,000	359,000	618,666	34,543,000	5,342,000	359,000	518,666	359,000	-
COUNTY CIP Investment	471,113	347,888	145,678	280,000	471,113	347,888	145,678	350,000	167,000	330,000	
Investment Fund/Bonds	279,887	195,112	196,322	79,000	147,553	34,195,112	5,196,322	9,000	351,666	29,000	

**Sample BOC System-Wide CIP**

# **SAMPLE**

## **STATE BOARD OF CORRECTIONS UNENCUMBERED SURPLUS FUND BALANCE POLICY**

### **Objectives & Definitions**

The objective of this policy is to provide for sound financial management of the Counties' corrections unencumbered surplus fund balances, as reported annually in the June 30<sup>th</sup>, year-end Corrections Financial Audit, and to establish procedures for management of those funds.

### **Purpose & Use**

The corrections unencumbered surplus fund balance serves a number of purposes. It represents a source of funding which is available for unforeseen emergencies, provides cash flow to offset the need for borrowing in anticipation of revenue receipts, and provides evidence to the Counties' Corrections regulators and other investors of its financial stability and credit worthiness. Corrections unencumbered surplus fund balance may also be used, with approval of the County Board of Commissioners, at the time of tax commitment to offset Correction budgetary impacts.

### **Target Balances**

Based on guidelines provided by the State of Maine, Board of Corrections, the target balance for corrections unencumbered surplus fund balance consists of three tiers:

- **MINIMUM LEVEL:** Funds equal to 15-days (4%) of funds based on the current year's approved expense budget
- **TARGET LEVEL:** Funds equal to 30-days (8%) of funds based on the current year's approved expense budget
- **MAXIMUM LEVEL:** Funds equal to 75-days (20%) of funds based on the current year's County Correction's budget to be raised by taxation.

### **Target Level Calculation**

The calculation of each tier's financial target shall take place annually, and be reported to the County Commissioners, at the time of tax commitment. The target is determined by dividing the Total Correction Budget by the number of days in that calendar year, and multiplying that by the number of days in each tier target.

### **Required Actions**

The following actions shall be taken based upon the amount of Corrections unencumbered surplus fund balance relative to the established tier targets:

1. **BALANCE IS BELOW THE MINIMUM LEVEL:** When the Corrections unencumbered surplus fund balance is below the minimum level, steps shall be taken to increase fund balance level, bringing it closer, or to, the minimum level. Funds shall not be used to offset budgetary impact on the investment fund appropriation or for other non-emergency uses.

2. **BALANCE IS ABOVE THE MINIMUM LEVEL BUT UNDER THE TARGET LEVEL:** Efforts shall be made to bring the fund balance to the target level. With County Commissioner's authorization, funds may be used for mitigating the Corrections budgetary impact on the State of Maine, Investment Fund, or for other valid purposes such as funding a capital reserve plan in accordance with MRSA Title 30A, Section 921, capital maintenance plan, which benefit the Board of Corrections Investment Fund and Corrections Budget. After subtraction of these amounts the remaining fund balance level must show a net gain.
3. **BALANCE IS BETWEEN THE TARGET LEVEL AND THE MAXIMUM LEVEL:** Upon proper authorization by the County Commissioners, and approval of the State Board of Corrections, the use of corrections unencumbered surplus fund balance may be used to offset the budgetary impact on the corrections budget, or for other valid purposes such as funding a capital reserve plan in accordance with MRSA Title 30A, section 921, capital maintenance plan, which benefit the Correction budget and Board of Corrections. However, said actions should not result in a depletion of the corrections unencumbered surplus fund balance below the target level.
4. **BALANCE IS IN EXCESS OF THE MAXIMUM LEVEL:** In accordance with MRSA, Title 30A, Section 924, amounts in excess of the maximum level must be used to offset the budgetary impact on the corrections budget, or for other valid purposes which benefit the corrections operations and State Board of Corrections. However, said actions should not result in a depletion of the Corrections unencumbered surplus fund balance below the target tier.

#### **Emergency Actions Permitted**

Notwithstanding any provision of this policy, the County Commissioners, with State Board of Corrections approval, may vote at any time to use correction undesignated fund balance to respond to emergency funding needs.