



Transmitted via e-mail

March 25, 2015

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, Achievement of “The Future of California Corrections” Blueprint Fiscal Benchmark**

In accordance with Penal Code section 5032, the Department of Finance, Office of State Audits and Evaluations, has completed its evaluation of the California Department of Corrections and Rehabilitation’s (CDCR) achievement of the fiscal benchmark established in the 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, 2013 through June 30, 2014.

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. 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 Kimberly Tarvin, 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: Ms. Diana Toche, Undersecretary (A), Division of Administration and Offender Services, California Department of Corrections and Rehabilitation  
Mr. Bryan Beyer, Director, Internal Oversight and Research, California Department of Corrections and Rehabilitation  
Ms. Alene Shimazu, Director, Division of Administrative Services, California Department of Corrections and Rehabilitation  
Mr. Jason Lopez, Deputy Director, Office of Fiscal Services, 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. Daniel Alvarez, 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 Benchmark July 1, 2013 through June 30, 2014



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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## EXECUTIVE 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).<sup>1</sup> In accordance with Penal Code section 5032, the Department of Finance (Finance) evaluated CDCR’s achievement of the fiscal year 2013-14 Blueprint fiscal benchmark.

Our audit objectives were as follows:

- Assess the impact of CDCR’s current operating environment on the Blueprint fiscal benchmark.
- Determine whether CDCR achieved \$1.32 billion in operational savings during fiscal year 2013-14.

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

### Results:

The \$1.32 billion Blueprint benchmark was not attainable for fiscal year 2013-14. During 2013-14, major external events gave rise to operating conditions fundamentally different than those presumed in the Blueprint.

Of the \$1.32 billion Blueprint benchmark, the following significant goals remained relevant for CDCR:

- \$363.5 million net expenditure reduction and augmentation goals for DRP and DAPO.<sup>2</sup>
- Position reduction goals for Headquarters, DCHCS Administration, BPH, DAI Headquarters, DAI Office of Correctional Safety, and DAPO Headquarters, and position augmentation goal for DRP.<sup>2</sup>

CDCR exceeded the combined \$363.5 million expenditure reduction delineated in the Blueprint for DRP and DAPO by \$32.8 million (9 percent), resulting in a total expenditure reduction of \$396.3 million. Further, the 2013-14 position reduction goals were achieved for Headquarters, DCHCS Administration, BPH, DAI Headquarters, DAI Office of Correctional Safety, and DAPO Headquarters. However, the DRP Academic and Vocational program fell short of achieving the \$31.1 million Blueprint expenditure augmentation goal by \$8.9 million. Additionally, the DRP 166 position augmentation for fiscal year 2013-14 was not fully met. While certain augmented positions such as correctional counselors were filled, in total DRP had a net 275 vacant positions as of June 30, 2014.

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<sup>1</sup> Blueprint is located on CDCR’s website—[www.cdcr.ca.gov](http://www.cdcr.ca.gov).

<sup>2</sup> See Results section for definition of acronyms.

# BACKGROUND, SCOPE, METHODOLOGY AND ASSUMPTIONS

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## BACKGROUND

The California Department of Corrections and Rehabilitation's (CDCR) mission 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 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 reduction of approximately \$1 billion in General Fund spending in fiscal year 2012-13, and gradually increasing to \$1.5 billion by 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 34<sup>3</sup> state institutions' design capacity.<sup>4</sup>

### 2013-14 Blueprint Benchmark Components

The 2013-14 Blueprint benchmark requires CDCR to achieve expenditure reductions of \$1.32 billion in the following seven operational areas:

- Headquarters (HQ)/Division of Correctional Health Care Services (DCHCS) Administration<sup>5</sup>

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<sup>1</sup> Governor's Budget 2015-16.

<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> The California Health Care Facility, Stockton, which opened subsequent to the Blueprint development, was included in the Blueprint's 145 percent design capacity assumption.

<sup>4</sup> Blueprint is located on CDCR's website—[www.cdcr.ca.gov](http://www.cdcr.ca.gov).

<sup>5</sup> DCHCS Administration refers to program administration for Mental and Dental Health Services and does not include the Receiver's Office of California Correctional Health Care Services.

- Division of Adult Institutions (DAI)
- DCHCS
- Division of Rehabilitative Programs (DRP)
- Board of Parole Hearings (BPH)
- Local Assistance (LA)
- Division of Adult Parole Operations (DAPO)

Key components in achieving the \$1.32 billion fiscal benchmark include:

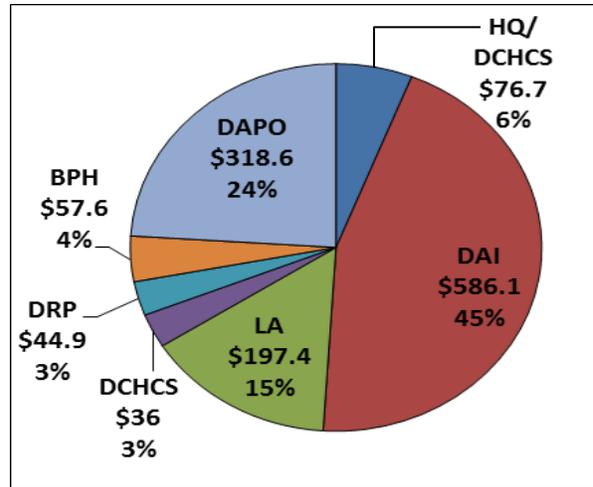
- Reduce adult inmate average daily population (ADP) to 125,434<sup>6</sup> as follows:
  - State Institutions—118,795
  - Out-of-state contract facilities—4,969
  - In-state contract facilities—1,571
  - Female contract beds—99
- Reduce adult parolee ADP to 50,798<sup>7</sup> as follows:
  - Regular parolees—42,419
  - Parolees at large—8,094
  - Juvenile parolees—285
- Reduce staffing by 6,031.5<sup>8</sup> positions.

Table 1 and Figure 1 present the cumulative Blueprint expenditure reduction goals through 2013-14 by operational component.

**Table 1: 2013-14 Blueprint Expenditure Reduction Goals**

Operational Area	2013-14 Budget Reduction Goal (in millions)	Percentage of Blueprint Budget Reduction Benchmark
HQ/DCHCS Administration	\$ 76.7	6
DAI	586.1	45
DCHCS	36.0	3
DRP	44.9	3 <sup>9</sup>
BPH	57.6	4
LA	197.4	15
DAPO	318.6	24
<b>Blueprint Benchmark</b>	<b>\$1,317.3</b>	<b>100</b>

**Figure 1: 2013-14 Blueprint Goals (in millions)**



<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, Division of Adult Parole Operations Table.

<sup>8</sup> Blueprint Appendix A—Multi-Year Savings and Position Reduction Figures, Average Daily Population Table.

<sup>9</sup> The DRP expenditure reduction was \$76 million and the augmentation was \$31.1 million. Therefore, the net reduction is \$44.9 million (\$76 million - \$31.1 million). The expenditure reduction portion represents 6 percent of the benchmark.

## SCOPE AND METHODOLOGY

In accordance with Penal Code section 5032, the Department of Finance (Finance) evaluated CDCR's achievement of the 2013-14 Blueprint fiscal benchmark. In March 2013 and April 2014, Finance issued reports detailing CDCR's progress in achieving the Blueprint's benchmark for prior periods.<sup>10</sup>

Our audit objectives were as follows:

- Assess the impact of CDCR's current operating environment on the Blueprint fiscal benchmark.
- Determine whether CDCR achieved \$1.32 billion in operational savings during fiscal year 2013-14.

We focused our audit on the most significant fiscal benchmark components. We considered fiscal benchmark components with expenditure reductions of 5 percent or less of the total benchmark insignificant, and did not evaluate these components for 2013-14. As such, additional savings or erosions related to the insignificant components may have occurred during 2013-14, but would not be reflected in this report.

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.

Additionally, our audit did not include an assessment of the following:

- Fiscal benchmark design, including budget rates used to derive the projected savings. Cost factors and/or budget elements not included in the Blueprint's fiscal benchmarks (e.g. consumer price index fluctuations) were also excluded from our analysis and conclusions.
- Other budgetary changes enacted subsequent to Blueprint, or internal funding shifts or redirections.
- 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 per Penal Code section 6126.
- Efficiency or effectiveness of CDCR's program operations, compliance with laws, regulations, and/or court mandates.

See Appendix C for the detailed methodology including the audit procedures performed.

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

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<sup>10</sup> Copies of reports can be obtained at [www.dof.ca.gov](http://www.dof.ca.gov).

## ASSUMPTIONS

In conducting our audit, we made the following assumptions:

- The 2012-13 Governor's Budget, without Realignment savings estimates, represents the pre-Blueprint funding base.
- The 2013-14 Blueprint Budget was developed by incorporating the Blueprint Appendix A goals into the pre-Blueprint funding base.
- Subsequent augmentations or reductions to CDCR's budget, and/or program funding shifts or redirections, do not amend the Blueprint fiscal benchmark budgets.
- The 2013-14 Salaries and Wages Supplement (Schedule 7A) incorporated the 2012-13 Blueprint position reductions and augmentations. This established the 2012-13 Schedule 7A authority as presented in Appendix B of this report.

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.

Finance and CDCR are both 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. Under government auditing standards, performance of these activities creates an organizational impairment with respect to independence. However, Finance has developed and implemented sufficient safeguards to mitigate the organizational impairment so reliance can be placed on the work performed.

The \$1.32 billion Blueprint benchmark was not attainable by the California Department of Corrections and Rehabilitation (CDCR) for fiscal year 2013-14 due to significant external impacts to CDCR's operating environment. However, certain goals comprising the benchmark remained relevant during the fiscal year. As such, our audit results are categorized as follows:

- CDCR's Current Operating Environment Impacts on the Blueprint Benchmark
- CDCR's Achievement of Certain Blueprint Goals

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

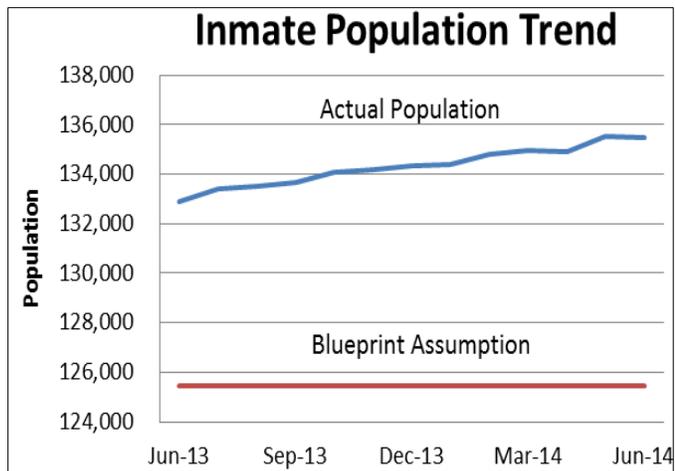
- Division of Adult Institutions (DAI)
- Division of Correctional Health Care Services (DCHCS)
- Division of Rehabilitative Programs (DRP)
- Board of Parole Hearings (BPH)
- Local Assistance (LA)
- Division of Adult Parole Operations (DAPO)
- Average Daily Population (ADP)
- Operating Expense and Equipment (OE&E)
- Salaries and Wages Supplement (Schedule 7A)

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

### **CDCR's Current Operating Environment Impacts on the Blueprint Benchmark**

Approximately one year after the Blueprint implementation, impacts from court decisions, legislative changes, and a rising inmate population trend resulted in fundamental departures from CDCR's predicted operating environment upon which the Blueprint benchmark goals were designed. DAI, DAPO, and LA, representing 84 percent of the expenditure reduction goals, experienced the most significant impacts.

The Blueprint assumed that inmate and parolee populations would decline over time due to Realignment legislation<sup>1</sup> and assumed an inmate population of 145 percent of 34<sup>2</sup> state institutions' design capacity. However, the February 10, 2014 Three Judge Panel court order required CDCR to reduce the institutions' inmate population to 137.5 percent of design capacity by February 2016. During 2013-14, the adult inmate ADP continued to rise to 134,329 as of June 30, 2014, seven percent higher than the 125,434 blueprint goal.<sup>3</sup> Further, the regular parolee ADP was 47,974 during 2013-14, 13 percent above the 42,419 Blueprint assumption.



Funding solutions implemented through legislation<sup>4</sup> and multiple budget augmentations effectively reversed a significant portion of the Blueprint budget reductions. The most significant impacts included operations with funding models linked to population levels such as DAI Contract Beds, DAPO Field Operations, and LA. Examples of specific operational impacts are as follows:

- Continued housing for 3,800 inmates at fire camps in contrast with the Blueprint requirement of reducing inmate population to 2,500 during 2013-14.
- An unanticipated 75 percent increase in inmates housed at in-state and out-of-state contracted facilities.
- Additional parole officers required to supervise an additional 5,600 parolees above the Blueprint parolee population assumption.
- Reduced clinical and supervisory staffing due to a lower mentally ill<sup>5</sup> and high risk sex offender parolee population.
- Retained staffing for court revocation and compliance workload associated with the transition of the parole revocation process to the courts, which was not included in the Blueprint.

Legislation also changed the LA adult probation funding model<sup>6</sup> resulting in estimated increases in expenditures for 2013-14, whereas the Blueprint assumed an annual decrease of over \$100 million beginning in 2013-14 and thereafter for this program. CDCR does not have control or responsibility over the LA expenditure reductions as this portion of the Blueprint goals relate to county governments.

<sup>1</sup> Assembly Bill 109, the Public Safety Realignment Act, April 2011.

<sup>2</sup> The California Health Care Facility, Stockton, which opened subsequent to the Blueprint development, was included in the Blueprint's 145 percent design capacity assumption.

<sup>3</sup> Blueprint Appendix A—Multi-Year Savings and Position Reduction Figures, Average Daily Population Table.

<sup>4</sup> Chapter 10, Statutes of 2013 (SB 105) was enacted on September 13, 2013.

<sup>5</sup> Enhanced Outpatient Program and Correctional Clinical Case Management System.

<sup>6</sup> Chapter 41, Statutes of 2012 (SB 1021) enacted on June 27, 2012, revised the county probation incentive payments and added a requirement for the collection of data on felony probation failures resulting in jail incarceration. The 2013-14 May Budget Revision included an augmentation of \$72.1 million in payment allocations to county probation departments demonstrating success in reducing the number of adult felony probationers going to prison or jail for committing new crimes or violating the terms of probation. For 2014-15, SB 105 revised the formula to calculate state savings based on the costs of incarcerating an inmate in a contract facility, as opposed to the marginal cost per inmate in a state institution.

## CDCR's Achievement of Certain Blueprint Goals

Considering the impacts of CDCR's current operating environment, we evaluated CDCR's achievement of the following significant Blueprint goals with continued relevance:

- \$363.5 million net expenditure reduction and augmentation goals for DRP and DAPO.
- Position reduction goals for Headquarters, DCHCS Administration,<sup>7</sup> BPH, DAI Headquarters, DAI Office of Correctional Safety, and DAPO Headquarters, and position augmentation goal for DRP.

CDCR exceeded the combined \$363.5 million expenditure reduction delineated in the Blueprint for DRP and DAPO by \$32.8 million (9 percent), resulting in a total expenditure reduction of \$396.3 million. Further, the 2013-14 position reduction goals were achieved for Headquarters, DCHCS Administration, BPH, DAI Headquarters, DAI Office of Correctional Safety and DAPO Headquarters. However, the DRP Academic and Vocational Program fell short of achieving the \$31.1 million Blueprint expenditure augmentation goal by \$8.9 million. Additionally, the DRP 166 position augmentation for fiscal year 2013-14 was not fully met. While certain augmented positions such as correctional counselors were filled, in total DRP had a net 275 vacant positions as of June 30, 2014.

### Expenditure Reduction/Augmentation Results by Program

As presented in Table 1, some programs experienced erosion while others exceeded the Blueprint expenditure reduction or augmentation goal. Table 2 provides further detail of the components that comprise the erosion or additional savings. Appendix A provides additional detail related to information presented in Tables 1 and 2.

**Table 1: Blueprint Budget Reduction/Augmentation Results**

Program	Budget Reduction/ Augmentation Goals	(Erosion)/Additional Savings <sup>8</sup>	Total Expenditure Reduction/Augmentation as of June 30, 2014
	A	B	C=A+B
<b>DRP</b>			
<b>Reductions:</b>			
Adult Community-Based	\$ 12,922,000	\$ (5,141,157)	\$ 7,780,843
Substance Abuse	60,921,000	16,502,826	77,423,826
Administration	2,092,000	1,746,992	3,838,992
Less:			
<b>Augmentation:</b>			
Academic and Vocational	31,088,000	(8,911,637)	22,176,363
<b>Total DRP</b>	<b>\$ 44,847,000</b>	<b>\$ 22,020,298</b>	<b>\$ 66,867,298</b>
<b>DAPO</b>			
<b>Reductions:</b>			
Adult Supervision	\$246,785,000	\$(35,420,442)	\$211,364,558
Adult Community Based	33,577,000	53,462,818	87,039,818
Adult Administration	38,267,000	(7,267,224)	30,999,776
<b>Total DAPO</b>	<b>\$318,629,000</b>	<b>\$ 10,775,152</b>	<b>\$329,404,152</b>
<b>Combined Total</b>	<b>\$363,476,000</b>	<b>\$ 32,795,450</b>	<b>\$396,271,450</b>

<sup>7</sup> DCHCS Administration refers to program administration for Mental and Dental Health Services and does not include the Receiver's Office of California Correctional Health Care Services.

<sup>8</sup> Erosion/Additional Savings amounts do not include encumbrances.

**Table 2: Blueprint Expenditure/Augmentation Erosion/Savings by Category**

Program	<b>(Erosion)/Additional Savings<sup>9</sup></b>			
	Personnel Services	OE&E	Reimbursements <sup>10</sup>	Total
	A	B	C	D=A+B+C
<b>DRP</b>				
<b>Reductions:</b>				
Adult Community-Based	\$ (909)	\$(12,100,981)	\$ 6,960,733	\$(5,141,157)
Substance Abuse	(2,728,264)	(14,668,910)	33,900,000	16,502,826
Administration	1,299,628	447,364	0	1,746,992
Plus:				
<b>Augmentation:</b>				
Academic and Vocational	(4,872,609)	1,481,757	(5,520,785)	(8,911,637)
<b>Total DRP</b>	<b>\$ 3,443,064</b>	<b>\$(27,804,284)</b>	<b>\$46,381,518</b>	<b>\$ 22,020,298</b>
<b>DAPO</b>				
<b>Reductions:</b>				
Adult Supervision	\$(47,056,787)	\$11,536,863	\$ 99,482	\$(35,420,442)
Adult Community-Based	20,595,517	32,867,301	0	53,462,818
Adult Administration	(7,012,265)	(295,352)	40,393	(7,267,224)
<b>Total DAPO</b>	<b>\$(33,473,535)</b>	<b>\$44,108,812</b>	<b>\$ 139,875</b>	<b>\$ 10,775,152</b>
<b>Combined Total</b>	<b>\$(30,030,471)</b>	<b>\$16,304,528</b>	<b>\$46,521,393</b>	<b>\$ 32,795,450</b>

Significant factors contributing to CDCR’s achievement of the expenditure reductions and/or augmentation goals by program are as follows:

**DRP**

- *Adult Community-Based Programs*—CDCR attributes the \$5.1 million erosion to increased spending on service contracts for additional day reporting centers and parolee service centers.
- *Substance Abuse Program*—CDCR attributes the \$16.5 million savings to delays in the contracting process for cognitive behavioral treatment and reentry services. Additionally, CDCR cited a decline in the parolee population utilizing community-based substance abuse services and the Female Offender Treatment and Employment Program.
- *Administration*—Savings totaling \$1.75 million were primarily attributed to recruitment and/or exam delays related to filling vacant executive level positions such as the Correctional Administrator and Superintendent and Deputy Superintendent of Education.
- *Academic and Vocational Programs*—The Adult Education Program did not expend \$8.9 million of the \$31.1 million funding augmentation as a result of vacant teaching instructor and staff positions. CDCR indicated this occurred due to delays in implementing education programming because of a lack of space availability and inmate classification change impacts.

**DAPO**

- *Adult Supervision*—CDCR indicated the erosion totaling \$35.4 million was due to higher personnel services costs. More parole officers were required than anticipated

<sup>9</sup> Erosion/Additional Savings amounts do not include encumbrances.

<sup>10</sup> Reimbursements represent funds received from external sources to reimburse CDCR for services provided. The reimbursements are tracked by program and reduce the program’s net expenditures.

because the parolee population was 13 percent higher than the Blueprint assumption as of June 30, 2014. The additional costs were partially offset by savings achieved in contracts for global positioning services monitoring.

- *Adult Community-Based Programs*—Savings totaling \$53.5 million were attributable to the mentally ill<sup>11</sup> and high risk sex offender parolee populations being lower than that assumed in the Blueprint and required less clinical and supervision staffing. Additionally, CDCR cited delays in contracting for the Sex Offender Treatment, Transitional Case Management, and Integrated Services for Mentally Ill Parolee programs. CDCR also attributes the savings to medication expense cost reductions achieved from changing the medication formulary from brand name medications to generic medications and an increase in the Medi-Cal contribution under the Affordable Care Act.
- *Adult Administration*—CDCR indicated the \$7.3 million erosion was due to retirements, workers compensation, and overtime.

### **Position Reduction/Augmentation Results by Program**

As presented in Table 3, CDCR met the position reduction goals as of June 30, 2014. Although within Headquarters, four offices fell short of meeting the position reduction goals by 1 to 37 positions, overall Headquarters exceeded the benchmark goal by 318 positions.

The DRP 166 position augmentation for fiscal year 2013-14 was not fully met. While certain augmented positions such as correctional counselors were filled, in total DRP had a net 275 vacant positions as of June 30, 2014. Approximately 201 of the 275 vacancies (73 percent) are comprised of librarians, vocational education instructors, and teachers as follows:

- Librarians—37 vacancies
- Vocational Education Instructors—63 vacancies
- Teachers—101 vacancies

**Table 3: Blueprint Position Reduction/Augmentation Results**

Division/Office	2013-14 Blueprint Goal <sup>12</sup>	2013-14 Filled Positions	Greater/(Less) than Blueprint Goal	Compliant with Blueprint
	A	B	C=B-A	D
<b>Reductions:</b>				
Headquarters	2,637.4	2,319.4	(318.0)	Yes
DCHCS Administration <sup>13</sup>	231.8	195.2	(36.6)	Yes
BPH	223.6	196.5	(27.1)	Yes
DAI				
Office of Correctional Safety	173.7	149.9	(23.8)	Yes
DAI Headquarters <sup>14</sup>	474.7	389.9	(84.8)	Yes
DAPO Headquarters	469.5	305.1	(164.4)	Yes
<b>Augmentation:</b>				
DRP	1,633.7	1,358.7	(275.0)	No

<sup>11</sup> Enhanced Outpatient Program and Correctional Clinical Case Management System.

<sup>12</sup> The 2013-14 Blueprint position goals were derived by reducing or augmenting the 2012-13 position authority (as presented on the 2013-14 Schedule 7A) by the positions added or reduced in the Blueprint's Appendix A. Because the Blueprint's Appendix A amounts are presented cumulatively from year to year, the cumulative figures were adjusted by the prior year goals to arrive at the 2013-14 position reduction or augmentation amounts.

<sup>13</sup> DCHCS Administration refers to program administration for Mental and Dental Health Services and does not include the Receiver's Office of California Correctional Health Care Services.

<sup>14</sup> Includes the Class Action Management Unit, which was not in existence at the time the Blueprint was published, and positions originated from Headquarters and DAI.

# APPENDIX A

Appendix A details the calculation of erosion/additional savings based on the 2013-14 Blueprint Budget (excluding reimbursements) and actual expenditures (excluding encumbrances). As noted in the Assumptions section, the Pre-Blueprint Level of Funding represents the base budget from which the Blueprint reductions/augmentations listed in the Blueprint's Appendix A were calculated. The 2013-14 Blueprint Budget is based on the budget rates in effect at the time the Blueprint was created and is not adjusted for subsequent budgetary changes.

## Blueprint Budget and Benchmark Goal Results

Operational Area	Pre-Blueprint Level of Funding	2013-14 Blueprint Budget	Blueprint Benchmark Reduction/ (Augmentation)	2013-14 Expenditures	(Erosion)/ Additional Savings
	A	B	C=A-B	D	E=B-D
<b>DRP</b>					
<b>Reductions:</b>					
Community Based	\$ 51,940,000	\$ 39,018,000	\$ 12,922,000	\$ 44,159,157	\$ (5,141,157)
Substance Abuse	147,221,000	86,300,000	60,921,000	69,797,174	16,502,826
Administration	15,740,000	13,648,000	2,092,000	11,901,008	1,746,992
<b>Augmentation:</b>					
Academic and Vocational	147,111,000	178,199,000	(31,088,000)	169,287,363	(8,911,637) <sup>1</sup>
<b>DRP Total</b>	<b>\$ 362,012,000</b>	<b>\$317,165,000</b>	<b>\$ 44,847,000</b>	<b>\$295,144,702</b>	<b>\$ 22,020,298</b>
<b>DAPO</b>					
<b>Reductions:</b>					
Adult Supervision	\$ 481,260,000	\$234,475,000	\$246,785,000	\$269,895,442	\$(35,420,442)
Adult Community Based	140,824,000	107,247,000	33,577,000	53,784,182	53,462,818
Adult Administration	91,035,000	52,768,000	38,267,000	60,035,224	(7,267,224)
<b>DAPO Total</b>	<b>\$ 713,119,000</b>	<b>\$394,490,000</b>	<b>\$318,629,000</b>	<b>\$383,714,848</b>	<b>\$ 10,775,152</b>
<b>Combined Total</b>	<b>\$1,075,131,000</b>	<b>\$711,655,000</b>	<b>\$363,476,000</b>	<b>\$678,859,550</b>	<b>\$ 32,795,450</b>

<sup>1</sup> Although the unmet expenditure augmentation represents an erosion of the Blueprint goal, the amount offsets the expenditure Reductions erosion (i.e. \$5.1 million – \$8.9 million) when determining the overall total expenditure erosion/additional savings amount.

## Blueprint Position Reduction/Augmentation Results

Division or Office	2012- 2013 7A Authority	2013-2014 Blueprint Authority Changes	2013-2014 Blueprint Goal	2013-2014 7A Authority	Authority Adjusted Per Blueprint	2013 - 2014 Filled Positions	Greater/ (Less) than Blueprint	Compliant with Blueprint
A	B	C	D=B+C	E	F	G	H	I
<b>Reductions:</b>								
Headquarters								
Accounting	399.9	0.0	399.9	399.9	Yes	294.0	105.9	Yes
Budget Management Branch	73.3	0.0	73.3	72.3	Yes	61.9	11.4	Yes
Class Action Management Unit <sup>1</sup>	N/A	N/A	N/A	43.0	N/A	41.0	(41.0)	N/A
EIS-BIS-SOMS <sup>2</sup>	599.2	0.0	599.2	609.2	No	551.2	48.0	Yes
Facilities Planning and Construction Management	338.1	0.0	338.1	343.1	No	285.5	52.6	Yes
Human Resources	400.0	0.0	400.0	399.0	Yes	335.9	64.1	Yes
Office of Business Services	109.2	0.0	109.2	109.2	Yes	145.9	(36.7)	No
Office of Internal Affairs	189.0	0.0	189.0	184.0	Yes	151.9	37.1	Yes
Office of Legal Affairs	208.7	0.0	208.7	187.7	Yes	173.4	35.3	Yes
Office of Labor Relations	36.0	0.0	36.0	36.0	Yes	68.6	(32.6)	No
Office of the Ombudsman	7.0	0.0	7.0	7.0	Yes	8.0	(1.0)	No
Office of Legislation	6.0	0.0	6.0	6.0	Yes	7.0	(1.0)	No
Office of Research	70.1	0.0	70.1	70.1	Yes	53.7	16.4	Yes
Office of Public and Employee Communications	21.0	0.0	21.0	21.0	Yes	21.0	0.0	Yes
Office of the Secretary	28.9	0.0	28.9	28.9	Yes	10.7	18.2	Yes
Office of Audits and Court Compliance	112.0	0.0	112.0	83.0	Yes	74.0	38.0	Yes
Office of Victim and Survivor Rights and Services	27.0	0.0	27.0	27.0	Yes	26.7	0.3	Yes
Regulation and Policy Management Branch	12.0	0.0	12.0	12.0	Yes	9.0	3.0	Yes
<b>Total Headquarters</b>	<b>2,637.4</b>	<b>0.0</b>	<b>2,637.4</b>	<b>2,638.4</b>	<b>No</b>	<b>2,319.4</b>	<b>318.0</b>	<b>Yes</b>
Division of Health Care Services Administration <sup>3</sup>	231.8	0.0	<b>231.8</b>	229.8	Yes	<b>195.2</b>	<b>36.6</b>	Yes
BPH	432.2	(208.6)	<b>223.6</b>	212.6	Yes	<b>196.5</b>	<b>27.1</b>	Yes
DAI								
DAI Headquarters	495.6	(20.9)	<b>474.7</b>	469.7	Yes	<b>389.9</b>	<b>84.8</b>	Yes
Office of Correctional Safety	173.7	0.0	<b>173.7</b>	173.7	Yes	<b>149.9</b>	<b>23.8</b>	Yes
DAPO Headquarters	NA <sup>4</sup>	NA	<b>469.5</b>	430.5	Yes	<b>305.1</b>	<b>164.4</b>	Yes
<b>Augmentation:</b>								
DRP	1,467.4	166.3	<b>1,633.7</b>	1,634.4	Yes	<b>1,358.7</b>	<b>(275.0)</b>	No

<sup>1</sup> The Class Action Management Unit was not in existence at the time the Blueprint was developed, and positions originated from Headquarters and DAI.

<sup>2</sup> Enterprise Information System (EIS), Business Information Systems (BIS), and Strategic Offender Management System (SOMS).

<sup>3</sup> Program Administration refers to program administration for Mental and Dental Health Services and does not include the Receiver's Office of California Correctional Health Care Services.

<sup>4</sup> The Blueprint's Appendix A specified the number of positions for DAPO Headquarters.

**METHODOLOGY**

To adequately plan the audit, we performed general procedures, evaluated internal controls, and assessed the reliability of data significant to the audit objectives. Based on the results, we designed our audit procedures to address the specific audit objectives. See below for the general and specific procedures performed.

<b>To Conduct the Audit</b>	
<p>General procedures used to perform the audit.</p>	<ol style="list-style-type: none"> <li>1. Reviewed the Blueprint and supporting documents to gain an understanding of the fiscal benchmark.</li> <li>2. Identified the 2013-14 Blueprint benchmark components.</li> <li>3. Gained an understanding of significant current events such as inmate population court decisions, inmate population trends, legislation, and budgetary changes to determine the impact on the 2013-14 Blueprint benchmark and identify Blueprint benchmark goals with continued relevance.</li> <li>4. Gained an understanding of CDCR’s fiscal operations and position data reporting.</li> <li>5. Coordinated with the Office of Inspector General to gain an understanding of their scope of work.</li> <li>6. Reviewed audit reports and other publications significant to the audit objectives.</li> </ol>
<p>Understanding the internal control environment specific to the audit objectives.</p>	<ol style="list-style-type: none"> <li>1. Determined the internal controls significant within the context of the audit objectives.</li> <li>2. Assessed whether key internal controls, such as reviews and approvals, reconciliations, and separation of duties were properly designed and effectively implemented.</li> <li>3. Determined impact to the audit objective procedures for any internal control weaknesses identified.</li> </ol>

<b>To Conduct the Audit</b>	
<p>Assessing reliability of data significant to the audit objectives.</p>	<ol style="list-style-type: none"> <li>1. Interviewed staff regarding data entry, processing, and reporting. Identified the information technology systems' reporting data significant to the audit objectives.</li> <li>2. Compared the data to other sources to determine the completeness and accuracy of the following: <ul style="list-style-type: none"> <li>• Systems Applications and Products in Data Processing (SAP) expenditure data.</li> <li>• Management Information Retrieval System (MIRS) personnel position data.</li> </ul> </li> <li>3. Validated the data for each system to a sample of source documents.</li> </ol> <p>We determined the data was sufficiently reliable for the purposes of this report based on an assessment of the reliability of CDCR employee payroll files, and fiscal expenditure reports.</p>
<b>To Address Specific Audit Objectives</b>	
<b>Audit Objective</b>	<b>Procedures</b>
<p>Assess the impact of CDCR's current operating environment on the Blueprint fiscal benchmark.</p>	<ol style="list-style-type: none"> <li>1. Determined the impact of significant current events such as inmate population court decisions, inmate population trends, legislation, and budget changes on the 2013-14 Blueprint benchmark.</li> <li>2. Identified Blueprint benchmark goals with continued relevance within CDCR's current operating environment.</li> </ol>
<p>Evaluate CDCR's achievement of the Blueprint expenditure and position reduction goals.</p>	<p>A. Determined whether CDCR achieved the expenditure reduction/augmentation goals for DRP and DAPO.</p> <ol style="list-style-type: none"> <li>1. Compared the pre-Blueprint funding levels to the 2013-14 Blueprint Budget and identified the expenditure reductions/augmentations.</li> <li>2. Determined the 2013-14 expenditures on a modified accrual basis. The modified accrual basis of accounting recognizes expenditures when the related liability is incurred, but does not reflect encumbrances.</li> <li>3. Determined whether the Blueprint benchmark reduction/augmentation goal was achieved by comparing the 2013-14 expenditures to the corresponding Blueprint Budget.</li> <li>4. For any significant variances, obtained CDCR management's explanation of causes and evaluated the explanations for reasonableness.</li> </ol>

Audit Objective	Procedures
<p>Evaluate CDCR's achievement of the Blueprint expenditure and position reduction goals (continued).</p>	<p>B. Determined whether CDCR achieved the position reduction/augmentation goals for Headquarters, DCHCS Administration, BPH, DAI Headquarters, DAI Office of Correctional Safety, DAPO Headquarters, and DRP.</p> <ol style="list-style-type: none"> <li>1. Identified the agency and payroll reporting unit combinations for each division using the organizational unit code chart.</li> <li>2. Categorized the 2013-14 authorized positions from 2014-15 Salary and Wages Supplement (Schedule 7A) into divisions and offices.</li> <li>3. Compared the 2013-14 Schedule 7A to the Blueprint benchmark authority to verify the position authority was adjusted for Blueprint benchmark goals.</li> <li>4. Determined the number of filled positions for December 2013 and June 2014 by Division per the MIRS file including only base pay hours for authorized positions and other pay categories as follows: <ul style="list-style-type: none"> <li>• 902-Temporary Help</li> <li>• 916-Retired Annuitants</li> <li>• 917-Permanent Intermittent Correctional Officer</li> <li>• 918-Salaries and Wages Other</li> <li>• 919-Overtime Avoidance Pool</li> <li>• 920-Long Term Sick</li> </ul> </li> <li>5. All other pay categories including overtime, award, and differential pay, etc., were excluded.</li> <li>6. Calculated full-time equivalents by dividing the total number of hours worked by 176 for December 2013 and 168 for June 2014 to determine the number of filled positions by office/division.</li> <li>7. Evaluated whether the position augmentation/reduction goal was met by each division or office by comparing the filled positions to the Blueprint goal as of June 30, 2014.</li> <li>8. For any significant variances, obtained CDCR management's explanations of causes and evaluated the explanations for reasonableness.</li> </ol>



**OFFICE OF THE SECRETARY**

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March 16, 2015

Mr. Richard R. Sierra, CPA  
Chief, Office of State Audits and Evaluations  
Department of Finance  
915 L Street  
Sacramento, CA 95814

Dear Mr. Sierra:

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, Achievement of 'The Future of California Corrections' Blueprint Fiscal Benchmarks."

As stated in DOF's Office of State Audits and Evaluations (OSAE) report, the \$1.32 billion Blueprint benchmark was not attainable for fiscal year 2013-14 due to major external events. Overall though, CDCR is pleased the audit report concludes that the Department exceeded the combined \$363.5 million expenditure reduction delineated in the Blueprint for DRP and the Division of Adult Parole Operations by \$32.8 million, resulting in a total expenditure reduction of \$396.3 million. It should also be noted that DRP currently has approximately \$15 million in encumbrances for deliverable based contracts and/or goods not yet received and DRP expects to realize a majority of these outstanding encumbrances prior to funds being reverted.

Further, OSAE's report states CDCR exceeded its significant Headquarters positions reduction goal by 318 positions. However, according to OSAE's report, the Division of Rehabilitative Programs' (DRP) did not fully meet its 166 position augmentation for fiscal year 2013-14. CDCR would like to note that counting current vacancies throughout DRP does not necessarily reflect the progress made to activate and fill the augmented positions. In fact, the 166 position augmentation is a net total of position reductions and augmentations. Of the positions augmented, DRP has filled 153 of the 159 academic teacher positions and 79 of the 98 vocational instructor positions. The report also indicates in Appendix B, the Office of Business Services (OBS) and Office of Labor Relations (OLR) were noncompliant with the Blueprint; both exceeding their respective authorized positions. After reviewing the results, filled positions were inadvertently included which fall within the Peace Officer Selection and Employee Development division and Human Resources. Excluding these positions, both OBS and OLR are in compliance with the Blueprint. Further, Human Resources has sufficient

Mr. Richard R. Sierra

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vacancies to account for these positions and the Peace Officer Selection and Employee Development division is outside the scope of this report.

CDCR would like to thank 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***

ALENE SHIMAZU

Director

Division of Administrative Services

## EVALUATION OF RESPONSE

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

CDCR generally agreed with the results and provided additional information regarding the Division of Rehabilitative Services Programs (DRP) position augmentation and Headquarters (HQ) Office of Business Services and Office of Labor Relations filled positions.

### **DRP Position Augmentation**

CDCR indicated that 153 academic teacher positions and 79 vocational instructor positions are filled. The time period when these specific positions were filled and whether they remained filled as of June 30, 2014 is not specified in the response to the draft report.

While the audit concluded that the augmentation goal was not fully met, we concur that certain augmented positions were filled as of June 30, 2014 indicating progress toward reaching the augmentation goal. However, as of June 30, 2014, DRP had a net of 275 vacant positions including 201 vacant Librarians, Vocational Education Instructors, and Teachers. Therefore, our report results remain unchanged.

### **HQ Office of Business Services (OBS) and Office of Labor Relations (OLR)**

CDCR indicated in its response that certain filled positions were inadvertently included in OBS and OLR that should have been included in the Peace Officer Selection, Employee Development Division, and Human Resources. The audit results are based upon the agency organizational unit code chart reporting unit classification information provided and confirmed by CDCR during fieldwork. While we did not confirm the adjustments referenced in CDCR's response to the draft, these adjustments would not change the final result that CDCR exceeded the Headquarters Blueprint goal. Therefore, our report results remain unchanged.