

Office of the Secretary of State

Dennis Richardson
Secretary of State

Leslie Cummings, Ph.D.
Deputy Secretary of State



Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255

February 1, 2018

Colette Peters, Director
Oregon Department of Corrections
2575 Center St. NE
Salem, Oregon 97301

Dear Ms. Peters

We have completed audit work of selected financial accounts at your department for the year ended June 30, 2017. This audit work was not a comprehensive financial audit of the department, but was performed as part of our annual audit of the State of Oregon's financial statements. We audited accounts that we determined to be material to the State of Oregon's financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the State of Oregon as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the department's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, material weaknesses may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies that we consider to be material weaknesses. However, material weakness may exist that have not been identified. We did identify an issue that we wanted to bring to management's attention.

Other Issue

During the course of our audit, we became aware of the following matter, which is considered an opportunity for management to strengthen internal controls. This matter does not require a written response from management.

In the prior year, we recommended management ensure procedures are in place to ensure the annual inventory is accurate and reliable as it is used to ensure assets recorded in the department's accounting records are accurate. The April 2017 annual inventory for a correctional facility was completed in June 2017 and identified several buildings and improvements and land improvements with a total cost of \$1.5 million as belonging to a different state agency. At the time of our inquiry in October 2017, the issue had not been fully resolved. However, the department was confident all but 4 items costing less than \$250,000 belonged to the department. It is important for the annual inventory to be accurate and for changes to be resolved timely and communicated to financial staff to ensure the accuracy of the department's accounting records.

The purpose of this letter is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the department's internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control. Accordingly, this letter is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Kelly Olson, Audit Manager at (503) 986-2255.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Brian Belleque, Deputy Director
Steve Robbins, Chief Financial Officer
Ray Brixey, Financial Services Administrator
Adrienne O'Connor, Internal Audit Administrator
Katy Coba, Director, Department of Administrative Services

DOC - 5% Reduction

2019 - 2021 Biennium

CSL GF & OF Only: 1,849,116,286 - 44,460,244 - 1,893,576,530

Detail of Reductions to 2019-21 Current Service Level Budget

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Priority (ranked with highest priority first)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div													
1	DOC	Multiple	Institution Closures (All minimums - DRCI)	(90,291,626)		(5,775,859)					\$ (96,067,485)	(544)	(566.99)	17 months of savings - all minimums except DRCI
											\$ -			
											\$ -			
											\$ -			
				(90,291,626)	-	(5,775,859)	-	-	-		\$ (96,067,485)	(544)	(566.99)	

-5%

-13%

Target \$ (94,678,827)
Difference \$ (1,388,659)

NOTES:

Debt Service:

Please note that if we remove Debt Service from the total GF CSL, the total drops by \$117,020,710 and our target 5% reduction would be \$86,604,779 (5% of \$1,732,095,576).

Other Funds:

Included all OF limitation related to institution closures, despite the fact that the number exceeds the target.

FTE Calculation:

Because institution closures include reductions to positions across multiple divisions (including some central support), some reductions came in the form of partial FTE without a position count. As such, some FTE reduction values actually exceed Position values.

DOC - 10% Reduction														
2019 - 2021 Biennium														
CSL GF & OF Only:				1,849,116,286	-	44,460,244	-	1,893,576,530						
Detail of Reductions to 2019-21 Current Service Level Budget														
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Priority (ranked with highest priority first)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div													
1	DOC	Multiple	Institution Closures (All minimums - DRCI)	(90,291,626)		(5,775,859)				\$ (96,067,485)	(544)	(566.69)	17 months of savings - all minimums except DRCI	
2	DOC	Multiple	Institution Closures (DRCI)	(35,540,016)		(691,158)				\$ (36,231,174)	(199)	(197.26)	17 months of savings - DRCI only	
3	DOC	Multiple	Institution Closures (OSCI)	(39,770,249)		(41,982)				\$ (39,812,231)	(232)	(235.18)	17 months of savings - OSCI only	
4	DOC	Multiple	Pkg 040 October 18 Forecast Impact	(1,113,118)						\$ (1,113,118)			Reduce caseload per Oct 18 OEA Forecast - Prisons	
5	DOC	009	Pkg 040 October 18 Forecast Impact	(13,648,477)						\$ (13,648,477)			Reduce caseload per Oct 18 OEA Forecast - Comm Corr	
6	DOC	009	Community Corrections enhanced funding	(4,548,143)						\$ (4,548,143)			Partial reduction of M57 funding to reconcile to 10%	
				(184,911,629)	-	(6,508,999)	-	-	-	\$ (191,420,628)	(975)	(999.13)		

-10%

-15%

Target \$ (189,357,653)

Difference \$ (2,062,975)

Indicates included in the GBB

NOTES:

Debt Service:

Please note that if we remove Debt Service from the total GF CSL, the total drops by \$117,020,710 and our target 10% reduction would be \$173,209,558 (10% of \$1,732,095,576).

Other Funds:

Included all OF limitation related to institution closures, despite the fact that the number exceeds the target.

FTE Calculation:

Because institution closures include reductions to positions across multiple divisions (including some central support), some reductions came in the form of partial FTE without a position count. As such, some FTE reduction values actually exceed Position values.

UPDATED OTHER FUNDS ENDING BALANCES FOR THE 2017-19 & 2019-21 BIENNIA

Agency: Department of Corrections

Contact Person (Name & Phone #): Justin Huddleston 503-945-9261

(a) Other Fund Type	(b) Program Area (SCR)	(c) Treasury Fund #/Name	(d) Category/Description	(e) Statutory	(f) 2017-19 Ending Balance		(g) 2019-21 Ending Balance		(h) Comments	(i) Funding Revenue Source	(j) Eligible Uses
					In LAB	Revised	In CSL - ARB	Revised			
Limited	003 - Operations	00401 - General Fund	Operations	Ch. 573, S. 2, SS. 1, 2017	1,833,128	692,323	(502,632)	190,145		Rental beds, inmate care, transport revenue, institution inmate restitution, food services program.	Equipment replacement uses, fuel, other expenses. Transfers to VINE program, victim restitution, food cost offsets.
Limited	003 - Operations	00688 - State Prison Work Programs	Other - Inmate Work Programs	Ch. 573, S. 2, SS. 1, 2017	(737,882)	2,446,939	1,995,479	4,442,418	Column g includes outstanding accounts receivables of \$769k. This is related to Fire Work Crew revenue that is reimbursable from the Federal Government.	Inmate work industries.	Work crew supplies, fuel, and other expenses. PRAS awards to inmates, transfers to VINE program, victim restitution, food cost offsets.
Limited	004 - Central Administration	00401 - General Fund	Operations	Ch. 573, S. 2, SS. 2, 2017	1,361,310	4,282,368	1,230,372	5,512,740	Includes Inmate Welfare Fund revenue received via contract with Telmate.	SSA incentives, reimbursements for public records requests. Telecommunications contract with TELMATE.	Inmate phone supervision. Transfer of Inmate Work Program revenue to other applicable Inmate Work Programs within DOC.
Limited	006 - General Services	00401 - General Fund	Operations	Ch. 573, S. 2, SS. 2, 2017	1,627,621	861,749	2,155,228	3,038,917	Commissary/canteen.	Cell tower rent, surplus property sales, energy efficiency credits, secure ID tokens, CDC food sales, rental income, commissary sales, sale of real property. Rental of shooting ranges.	Building maintenance, commissary salaries/supplies, food costs.
Limited	009 - Community Corrections	00401 - General Fund	Operations	Ch. 573, S. 2, SS. 4, 2017	271,362	2,273,371	878,219	2,978,539	Column g includes outstanding accounts receivables of \$440k.	County supervision fees, drug court revenue.	
Limited	010 - Health Services	00401 - General Fund	Operations	Ch. 573, S. 2, SS. 1, 2017	639,665	228,472	9,774	238,246		Inmate reimbursement for medical services, prosthetics, etc.	Medical service and supply cost offsets.
Limited	011 - Offender Management & Rehabilitation	00401 - General Fund	Operations	Ch. 573, S. 2, SS. 3, 2017	661,399	1,367,467	1,026,328	2,253,795		VINE project, transitional programs, education grants, A&D. Home for Good donations.	
Limited	011 - Offender Management & Rehabilitation	00688 - State Prison Work Programs	Other - Inmate Work Programs	Ch. 573, S. 2, SS. 3, 2017	(661,399)	(220,247)	24,714	(195,533)		Inmate work industries.	

Objective: Provide updated Other Funds ending balance information for potential use in the development of the 2019-21 legislatively adopted budget.

Instructions:

- Column (a): Select one of the following: Limited, Nonlimited, Capital Improvement, Capital Construction, Debt Service, or Debt Service Nonlimited.
- Column (b): Select the appropriate Summary Cross Reference number and name from those included in the 2017-19 Legislatively Approved Budget. If this changed from previous structures, please note the change in Comments (Column (j)).
- Column (c): Select the appropriate, statutorily established Treasury Fund name and account number where fund balance resides. If the official fund or account name is different than the commonly used reference, please include the working title of the fund or account in Column (j).
- Column (d): Select one of the following: Operations, Trust Fund, Grant Fund, Investment Pool, Loan Program, or Other. If "Other", please specify. If "Operations", in Comments (Column (j)), specify the number of months the reserve covers, the methodology used to determine the reserve amount, and the minimum need for cash flow purposes.
- Column (e): List the Constitutional, Federal, or Statutory references that establishes or limits the use of the funds.
- Columns (f) Use the appropriate, audited amount from the 2017-19 Legislatively Approved Budget and the 2019-21 Current Service Level at the Agency Request Budget level.
- Columns (g) Provide updated ending balances based on revised expenditure patterns or revenue trends. Do not include adjustments for reduction options that have been submitted unless the options have and (i): already been implemented as part of the 2017-19 General Fund approved budget or otherwise incorporated in the 2017-19 LAB. The revised column (i) can be used for the balances included in the Governor's budget if available at the time of submittal. Provide a description of revisions in Comments (Column (j)).
- Column (j): **Please note any reasons for significant changes in balances previously reported during the 2017 session.**

Additional If the revised ending balances (Columns (g) or (i)) reflect a variance greater than 5% or \$50,000 from the amounts included in the LAB (Columns (f) or (h)), attach supporting memo or spreadsheet to detail the revised forecast.



PROPOSED SUPERVISORY SPAN OF CONTROL REPORT

In accordance with the requirements of ORS 291.227, Oregon Department of Corrections presents this report to the Joint Ways and Means Committee regarding the agency's Proposed Maximum Supervisory Ratio for the 2019-2021 biennium.

Supervisory Ratio for the last quarter of 2017-2019 biennium

The agency actual supervisory ratio as of December 1, 2017 is 1: 10.62

The Agency actual supervisory ratio is calculated using the following calculation; (as of January 31, 2019)

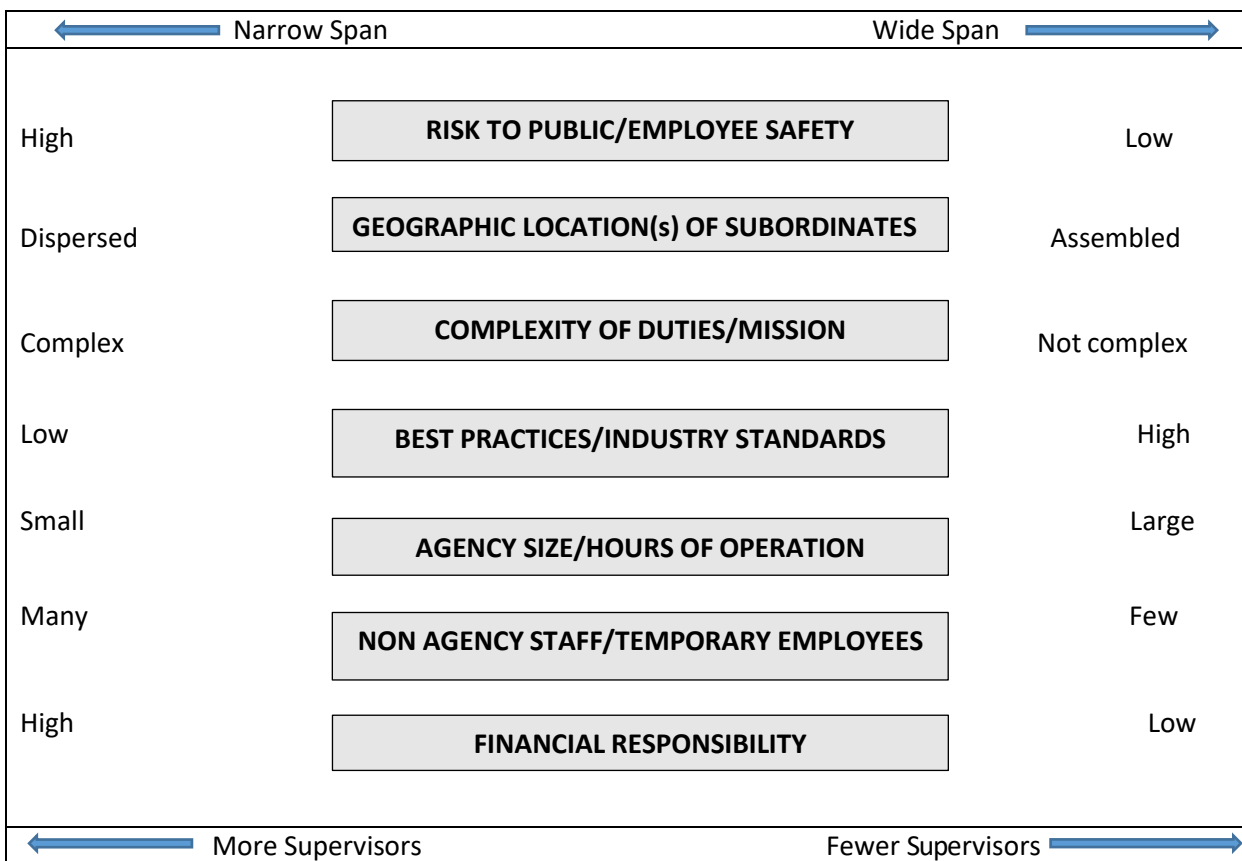
$$\frac{419}{\text{(Total supervisors)}} = \frac{397}{\text{(Employee in a supervisory role)}} + \frac{23}{\text{(Vacancies that if filled would perform a supervisory role)}} - \frac{1}{\text{(Agency head)}}$$

$$\frac{4433}{\text{(Total non-supervisors)}} = \frac{4203}{\text{(Employee in a non-supervisory role)}} + \frac{230}{\text{(Vacancies that if filled would perform a non-supervisory role)}}$$

The agency has a current actual supervisory ratio of-

$$1: \frac{10.58}{\text{(Actual span of control)}} = \frac{4433}{\text{(Total non - Supervisors)}} / \frac{419}{\text{(Total Supervisors)}}$$

When determining an agency maximum supervisory ratio all agencies shall begin of a baseline supervisory ratio of 1:11, and based upon some or all of the following factors may adjust the ratio up or down to fit the needs of the agency.



Ratio Adjustment Factors

Is safety of the public or of State employees a factor to be considered in determining the agency maximum supervisory ratio? Yes

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

The Department of Corrections operates fourteen correctional facilities throughout the state of Oregon. The Department is tasked with the custody and control of 14, 923 adults in custody (as of September 2018). Providing a safe and secure facility for the public, our adults in custody and our DOC employees is fundamental to our success. The inherit safety risk to the public and our DOC employees may require more supervisors.

Is geographical location of the agency's employees a factor to be considered in determining the agency maximum supervisory ratio? Yes

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

The fourteen correctional facilities operated by the Department of Corrections are spread throughout the state. We operate facilities in Portland, Wilsonville, Madras, Pendleton, Salem, Baker City, North Bend, Ontario, Tillamook, Umatilla and Lakeview. Our workforce being spread throughout the state at multiple locations requires support at each location and may require more supervisors.

Is the complexity of the agency's duties a factor to be considered in determining the agency maximum supervisory ratio? No

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

Are there industry best practices and standards that should be a factor when determining the agency maximum supervisory ratio? No

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

Is size and hours of operation of the agency a factor to be considered in determining the agency maximum supervisory ratio? No

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

Are there unique personnel needs of the agency, including the agency's use of volunteers or seasonal or temporary employees, or exercise of supervisory authority by agency supervisory employees over personnel who are not agency employees a factor to be considered in determining the agency maximum supervisory ratio? Yes

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

The Department of Corrections currently utilizes 2,019 community volunteers in various programs and services for our adults in custody. Many of our volunteers provide services in areas such as, religious services, program workshops to help prepare adults in custody for release and programs meant to improve public speaking and confidence such as toast masters. Our department of corrections supervisors review and approve materials presented by the volunteer and provides oversight of the services provided by the volunteers. DOC's use of volunteers may require more supervisors.

Is the financial scope and responsibility of the agency a factor to be considered in determining the agency maximum supervisory ratio? No

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

Based upon the described factors above the agency proposes a Maximum Supervisory Ratio of 1: 10.

Unions Requiring Notification AFSCME and AOCE

Date unions notified March 19, 2019

Submitted by: _____

Date: _____

Signature Line _____

Date _____

Signature Line _____

Date _____

Signature Line _____

Date _____

Signature Line _____

Date _____