

A REPORT ON THE INCOME AND EXPENSES FROM
MASSACHUSETTS DEPARTMENT OF
CORRECTION'S

CENTRAL INMATE BENEFIT FUND
CENTRAL LAW LIBRARY ACCOUNT
AND
CENTRAL PROGRAM ACCOUNT

FOR THE PERIOD
JULY 1, 2014 - JUNE 30, 2015

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Highlights of Report On Central Inmate Accounts/Funds for 7/1/14 - 6/30/14

1) As of the publication of this report, it is estimated that over \$2,000,000 remains unspent in three Central DOC accounts/funds which were established to provide benefits to prisoners. (Page 10)

2) The total of the Ending Balances of the three accounts/funds - the Central Inmate Benefit Fund (CIB), the Central Law Library Account (Z176), and the Central Program Account - on June 30, 2015 was \$1,978,446.54. (Page 10)

3) In Fiscal 2015, a total of \$985,763.86 was deposited into the three Central Accounts /Funds. (Pages 2, 5, and 7)

4) Those funds were generated primarily from commissions paid to the DOC from Keefe Commissary Network from sales of commissary, clothing, and appliance items to prisoners. (Page 1)

5) In Fiscal 2015, a total of \$781,631.84 was spent from the three Central Accounts/ Funds. (Pages 2, 5, and 7)

6) \$204,132.02 remained unspent in Fiscal 2015 from the three Central Office Accounts/Funds. (Page 10)

7) Details of the expenditures of funds from each of the three Central Office Accounts/ Funds are listed on pages 3, 6, and 7.

8) A five year comparison of Income and Expenses for the Central Law Library Account and the Central Program Account is presented on page 8.

9) A two year comparison of the income and expenses from the Central Inmate Benefit Fund is presented on page 10.

A REPORT ON THE CENTRAL INMATE ACCOUNTS/FUNDS FOR THE
PERIOD OF JULY 1, 2014 - JUNE 30, 2015

1.) Introduction

The MA Department of Correction (DOC), pursuant to 103 DOC 476.10 (Department of Correction Program Account) and 103 DOC 476.11 (Law Library Account), maintains two separate accounts, ostensibly to provide services or benefits to inmates. These accounts are funded by monthly assessments of fixed percentages from the revenues taken in by each institution. The Law Library Account receives 35% [103 DOC 476.11(1)] of said revenues each month; the Program Account receives 10% [103 DOC 476.10(2)]. Each institution is required on the 15th of each month to submit an Inmate Benefit Revenue Report indicating the Total Revenue and Expenditures, including the aforementioned assessments.

Revenues at the institutional level come primarily from commissions received from Keefe Commissary Network (KCN). The commissions are a percentage of the funds paid by prisoners for purchasing commissary items, clothing, and appliances, including MP3/MP4 music sales, which are returned to the institution as a condition of KCN's being awarded the contract to provide such services. Additional sources of revenue for institutions include commissions received on vending machine sales, interest, soda bottle returns, and locker money collected from visitors. The revenue collected from KCN on commissary sales alone typically comprises over 90% of the monthly income received by institutions.

The DOC established the Program Account as "an effort to identify and utilize all available resources ... to supplement existing programs or funding for new programs throughout the Department." [103 DOC 476.10(1)] The DOC does not in 103 DOC 476 indicate any reason why the Law Library Account was established or how the funds are to be expended. In 2009, the author of this report inquired why the Law Library Account assessment of 35% was so high? The response from the then Director of Support Services was that the funds were needed at that level in order to complete the installation of the computerized law library system in all institutions. By 2015, that installation had been finished for at least two years.

The Central Inmate Benefit Fund (CIB) (Z1) is not referenced in 103 DOC 476. Z1 accounts are maintained in each institution and the CIB appears to be an extension of the individual institutional Z1 accounts. The DOC does not assess institutional revenue to fund the CIB Fund.

The superintendent in each institution is responsible for the spending of the 55% of the revenue remaining in each institution after the assessments to the Central Office have been disbursed. According to 103 DOC 476.12(2): "Expenditures of such funds shall benefit the

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general inmate population or be for any goods or services determined by the Commissioner to be necessary to maintain and/or enhance the delivery of services to inmates." It should be noted that any expenditure exceeding \$1,000 at the institutional level must be given written approval from the Deputy Superintendent, Administrative Services. [103 DOC 476.12(5)]

The instant report presents data and comments on the income and expenses into and from three Central accounts relating to inmate funds. In addition, there are comparisons of total income and expenses of both the Program Account and the Law Library Account for fiscal years 2011 through 2015. Data for the Central Inmate Benefit (CIB) (Z1) has been collected by the author of this report only for fiscal 2014 and fiscal 2015. Consequently, a comparison for the CIB for those two years only is included. The superscript numbers indicate corresponding items in Comments sections after the presentation of the balance sheets, sources and uses of funds for each of the three accounts/funds.

To review the report on these three accounts for Fiscal 2014, as well as other reports produced by the Norfolk Lifers Group, go to: www.realcostofprisons.org/writings. The author of the instant report and the Norfolk Lifers Group thank Lois Ahrens of The Real Cost of Prisons Project for her much valued support, including the postings of this report and others on the above noted website. Please direct any comments or questions regarding this report or any others produced by the Norfolk Lifers Group to the author (MCI-Norfolk, P.O. Box 43, Norfolk, MA 02056) who is solely responsible for their contents.

2) Central Inmate Benefit Fund (CIB) (Z1)

a) Balance Sheet (as of 6/30/15)

Beginning Balance (7/1/14)	\$838,192.71 ¹
+ Income	<u>101,266.94</u>
Subtotal	939,459.65
- Expenses	<u>322,502.12</u>
Ending Balance (6/30/15)	\$616,957.53

b) Sources of Funds (7/1/14 - 6/30/15)

SecurePak Commissions	\$65,169.36
MP3 Commissions	17,149.25 ²
Transfers From Other Funds	10,135.59 ³
Access Commissions	6,475.60
Interest	1,415.06
Convertor Boxes	920.05
Inmate Restitutions	<u>2.00</u>
Total	\$101,266.94

Central Inmate Accounts/Funds for 7/1/14 - 6/30/15

2) Central Inmate Benefit Fund (CIB) (Z1)

c) Uses of Funds (7/1/14 - 6/30/15)

GYM Floor - Walpole	\$66,443.00
Phone Interpretation Fees	53,194.25
Cabling System at MCI-F	49,163.36
Swank Contract	46,575.00 ⁴
General Library	25,000.00
Transfer to MASAC IBF	20,000.00
Repairs to Shattuck	15,186.11
Twenty Laptops	14,678.40 ⁵
Verizon	9,260.00
Check Printing	8,798.96
3 Washers / 3 Dryers - MTC	5,130.00
Freezer	4,075.00
Adjustment to BSH IBF	1,711.98
Reentry Resource Com. - MCIN	1,450.41
Advertisement in <i>Boston Herald</i>	883.14
Office Supplies	347.28
Bookcase	322.94
Shattuck - Security Pens	149.64
MassCor	132.65
	<hr/>
Total	\$322,502.12

d) Comments on Central Inmate Benefit Fund (CIB) (Z1)

1. This balance exceeds the ending balance for 6/30/14 as computed by the author in the 2014 report by \$97,888.18. The difference can be accounted for by the fact that the author did not have a beginning balance for 7/1/13 and thus assumed a beginning balance of \$0.00. The beginning balance for 7/1/14 was calculated by the author based on the data provided by the DOC for Total Income into and Total Expenditures from the CIB up to 7/1/14. Given the data received for the last two fiscal years, it now appears that the CIB beginning balance on 7/1/13 was \$97,888.18

2. In an amendment dated 7/18/13 to the contract with Keefe Commissary Network (KCN), signed by then Commissioner of Correction Luis Spencer, the DOC agreed to several alterations. The changes relating to this report were as follows:

a) all MP3/MP4 players and accessories "will be non-commissionable items."

Thus, the DOC does not receive any commissions on sales of MP3/MP4 players or accessories purchased by prisoners. Consequently, KCN retains all profits on such sales. (p.2 of 7/18/13 Amendment);

b) The DOC would, however, receive \$0.13 for every song purchased and downloaded to MP3/MP4 players by prisoners. (p.2 of 7/18/13 Amendment);

Central Inmate Accounts/Funds for 7/1/14 - 6/30/15

c) Kiosks are to be installed by KCN for use in commissary purchases by prisoners, including songs. The kiosks "shall remain the property of KCN at all times during the Contract duration period." (p.3 of 7/18/13 Amendment);

d) The commissions paid to the DOC by KCN on commissary sales would be reduced from 18% to 14.95%. The purpose of the this reduction is to reimburse KCN for \$1,312,549, the projected cost of installing the Kiosks. The commission rate is to return to 18% once KCN has been reimbursed the installation costs. (p.4 of 7/18/13 Amendment);

On 10/31/13, the DOC, signed by Contract Manager Brian Kearman, agreed to another amendment to the contract with KCN. The only change relevant to this report was that the commission paid to the DOC from KCN for each song purchased and downloaded by prisoners was reduced from \$0.13 to \$0.05. As a result, KCN, which charges \$1.85 per song, retains \$1.80 from the sale of every song to prisoners. Thus, the only commission amount received by the DOC from the sales of MP3/MP4 players, accessories, and songs is 5¢ for each song.

In the data provided by the DOC for the CIB for 7/1/14 - 6/30/15, there were two separate recurring entries as income noted as either MP3 songs or simply MP3 - Commissions. The total for the specifically noted entries as MP3 songs was \$8,291.20. The total for the other designation was \$8,858.05. Assuming the DOC was adhering to the amendments listed above, then both sets of entries should be considered for the purchase of songs since that is the only category for which KCN is contractually obligated to remit commissions to the DOC, specifically to the CIB. Thus, assuming the entire \$17,149.25 received in commissions from KCN were for songs at 5¢ per song, then 342,985 songs were purchased by prisoners in fiscal 2015. Had the DOC not agreed to reducing the commissions paid by KCN on songs from 13¢ to 5¢, the DOC would have received \$44,588.05 in revenue from KCN for the 342,985 songs purchased by prisoners.

In summary, in agreeing to these two amendments, the DOC, in effect, lowered the commissions paid to individual institutions on commissary sales, by far the largest source of revenue for each prison; agreed to reimburse KCN for more than \$1.3 million for installing the kiosks; agreed that KCN maintained ownership of those kiosks and could remove them if the DOC terminated the contract with KCN; and agreed to allow KCN to keep all profits from the sales of MP3/MP4 players and accessories. It is also significant to note that in lowering the commissions paid by KCN on commissary sales, none of the funds the DOC agreed to forego were returned to prisoners in the form of lower commissary prices.

3. Includes a transfer of \$9,260.00 from the Law Library Account (Z176).

Central Inmate Accounts/Funds for 7/1/14 - 6/30/15

4. It is interesting that the DOC continues to pay annually over \$46,000 for a licensing fee to Swank for the renting videos to be shown in those institutions which have internal cable systems. It would seem the money would be more productively spent investing in an appropriate cable system which would broadcast sporting events as well as movies and other educational programs. Sporting events are important for prisoners and those events are rapidly disappearing from local and national television stations. The DOC needs to explore options for introducing a cable system which meets correctional requirements now, rather than later. As will be demonstrated, there is plenty of money available to introduce cable in all institutions.

5. It is difficult to understand how the purchase of twenty Laptops benefited any prisoner. What are these Laptops used for and where? The DOC should also investigate tablets and/or laptops for prisoners. Using tablets would reduce the amount of paper, books, and magazines retained by prisoners. Tablets are available which have been configured to meet the security needs in correctional institutions. Such tables have been introduced in other prisons and jails in the country.

3) Law Library Account (Z176)

a) Balance Sheet (as of 6/30/15)

Beginning Balance (7/1/14)		\$579,336.06 ¹
+ Income		
35% Assessments	680,784.47	
Interest	1,418.46	
GTL	<u>1,066.47</u>	
Total Income		<u>683,269.40²</u>
Subtotal		1,262,605.46
- Expenses		<u>279,206.84³</u>
Ending Balance (6/30/15)		\$983,398.62 ⁴

b) Sources of Funds (7/1/14 - 6/30/15)

35% Assessments from Institutions ^{5, 6}	\$680,784.47
Interest	1,418.46
GTL Commission ⁷	<u>1,066.47</u>
Total	\$683,269.40

Central Inmate Accounts/Funds for 7/1/14 - 6/30/15

3) Law Library Account (Z176) cont.

c) Uses of Funds (7/1/14 - 6/30/15)

Lexis Nexis	\$117,112.06
Thomas Reuters - West	75,919.82
Verizon	54,031.71
CITRIX 200 Licenses	11,000.00
Transfer of Funds to IBF	9,260.00
Lawyers Weekly	6,443.00
Lawyers Diary	4,127.00
Matthew Bender	890.67
BNA	<u>422.58</u>
Total	\$279,206.84

d) Comments on Central Law Library Account (Z176)

1. Calculated by the author by subtracting Total Expense Transactions on 7/1/14 (\$6,327,739.95) from Total Income Transactions (\$6,907,076.01) on the same date as noted in the data provided by the DOC.

2. Does not include income listed from voided checks.

3. Does not include expenses for which checks had been voided. The income and expenses for those entries offset.

4. The current balance in the Law Library Account on 9/14/15, the date the data was printed, was \$1,083,899.38.

5. The Assessments for NCCI for July 2014 (\$3,767.68), entered on 8/15/14 (Receipt # 26341970) and for August 2014 (\$3,767.68), entered on 9/11/14 (Receipt #26513194) were identical. This is an anomaly which bears investigation. For these both to be accurate, the total of all income received by the institution for each of those months would have to have been equal. That is highly unlikely.

6. The Assessments for SMCC for November 2014 (\$1,174.95), entered on 12/9/14 (Receipt #27071639) and for December 2014 (\$1,174.95), entered on 1/20/15 (Receipt #27326526) were identical. This is an anomaly which bears investigation. For these both to be accurate, the total of all income received by the institution for each of those months would have to have been equal. That is highly unlikely.

7. On 11/26/14 (Transaction #26993111) \$1,066.47 was entered as - GTL Oct 2014 BSH. If this was for telephone commissions from GTL, it should have been deposited in the Central Inmate Benefit Account (CIB). The amount has been included as a Source of Funds in the Law Library Account for fiscal 2015 as the \$1,066.47 was not transferred to the CIB.

Central Inmate Accounts/Funds for 7/1/14 - 6/30/15

4) Central Program Account

a) Balance Sheet (as of 6/30/15)

Beginning Balance (7/1/14)	\$366,045.75
+ Income	<u>201,227.52</u>
Subtotal	567,273.27
- Expenses	<u>189,182.88</u>
Ending Balance (6/30/15)	\$378,090.39 ¹

b) Sources of Funds (7/1/14 - 6/30/15)

7/1/14 - 11/14/14	\$ 62,722.88
11/15/14 - 1/9/15	35,078.25
1/10/15 - 6/30/15	<u>103,426.39</u>
Total Income	\$201,227.52 ²

c) Uses of Funds (7/1/14 - 6/30/14)

BSH Day Rooms	\$127,302.00
BSH Comfort & Quiet Rooms	14,309.84
Framingham Restart Chairs	11,413.75
NECC Auto Alignment	10,301.28
NCCI Building Trades	8,732.53
MCI-Norfolk Welding	5,713.78
Bay State Smart Boards	4,382.29
MCI-C Restart Chairs	2,082.75
SBCC Barber Chairs	1,678.00
NCCI Small Engine Lift	1,585.00
BSH Art & Therapy	902.00
Indirect	625.76
BSH Keyboards	<u>153.90</u>
Total	\$189,182.88 ³

d) Comments on Program Account

1. The data provided by the DOC shows an ending balance on 6/30/15 of \$378,244.29. See comment #3 below for an accounting of the difference of \$153.90.

2. The data provided by the DOC did not specify the individual sources of income. 103 DOC 476 requires each institution transfer to the Central Program Account 10% of its total income for that month. Another source is Interest earned on account balances.

Central Inmate Accounts/Funds for 7/1/14 - 6/30/15

d) Central Program Account Comments cont.

3. The final listing of Total Expenses as of 6/30/15 did not include the \$153.90 spent for BSH Keyboards listed on the data provided by the DOC for the Program Account for the period 7/1/14 - 11/14/14. As a result, the Total Expenses for the Program Account in this report exceeds the Total Expenses on 6/30/15 as provided by the DOC, by \$153.90.

5.) Five Year Comparison Of Income And Expenses For The Law Library Account (Z176)

	2011	2012	2013	2014	2015
Income	673,958.46	718,915.52	833,678.62	736,571.30	683,269.40
Expenses	<u>461,436.43</u>	<u>462,747.50</u>	<u>378,892.25</u>	<u>1,208,127.06¹</u>	<u>279,206.84</u>
Net	212,522.03	256,168.02	454,786.37	(471,555.76)	404,062.56

1. Includes a transfer of \$800,000 to the Central Inmate Benefit Fund (CIB). Expenses for actual Law Library items, excluding that transfer totaled \$408,127.06.

The total income for the five year period was \$3,646,393.30. Total expenses for the period was \$2,790,410.08, leaving a surplus of \$855,983.22. The total expense figure cited above excludes the \$800,000.00 transfer to the CIB in October 2013 as noted above. The average annual expenditures for the five year period from the Law Library Account, excluding the \$800,000.00 transfer was \$558,082.02. The average annual income for the five year period was \$729,278.66.

As was noted in the 2014 report on the Law Library Account, the 35% assessment charged to each institution remains exceedingly high. That fact is emphasized by the continued transfer of funds from the Law Library Account to the CIB. Note the transfer of \$9,260.00 from the Law Library Account to the CIB in Fiscal 2015. (See page 4, Comment #3 of this report.) The 35% assessment needs to be reduced to no more than 20%. This will still allow sufficient funds to cover actual Law Library expenses and, at the same time, leave more funds at the institutional level to be spent on local needs. If the assessment is to remain at 35%, a decision to be made by the Commissioner, then the excess funds can be used to pay for cable systems at the institutions and/or an increase in inmate wages, which have, save Industries, remained the same for at least three decades, yet commissary, clothing, and appliance costs continue to rise.

Central Inmate Accounts/Funds for 7/1/14 - 6/30/15

6.) Five Year Comparison Of Income And Expenses For The Central Program Account

	2011	2012	2013	2014	2015
Income	192,348.13	205,489.57	237,076.64	208,973.32	201,227.52
Expenses	<u>154,071.64</u>	<u>213,790.53</u>	<u>132,634.22</u>	<u>92,438.98</u>	<u>189,182.88</u>
Net	38,276.49	(8,300.96)	104,442.42	116,534.34	12,044.64

The total income for the five year period for the Central Program Account was \$1,045,115.18, an average of \$209,023.04 each year. The total expenses for the Central Program Account for the same period was \$782,118.25, a yearly average of \$156,423.65. The total surplus in the Central Program Account, not including the beginning balance on July 1, 2011, was \$262,996.93 or an average of \$52,599.39 per year.

The ending balance for the Central Program Account on 6/30/15 (see p. 7 of this report) was \$378,090.39. The difference - \$115,093.46 - between the 6/30/15 ending balance and the total surplus (\$262,996.93) for the five year period would be the beginning balance in the Central Program Account on 7/1/11.

It is difficult to understand the need for the Central Office to simply stockpile nearly \$400,000 in an account earmarked for programs to benefit prisoners. If the DOC Central Office does not know where or how such funds can be effectively spent, then the funds should be returned to the individual institutions in proportion to the amounts each institution contributed.

One area which cries out for a financial infusion is vocational training. It is clear that securing an adequately paying job upon release is one major factor in assisting a prisoner who has returned to society to remain out of prison and be a productive citizen. Prisoners need such training. Utilizing the nearly \$400,000 left in the Central Program Account on June 30, 2015 for developing and implementing effective vocational training programs at the institutional level would be an excellent application of such funds. Every institution need not offer every vocational program. Rather, to earn the best return on the investments, certain state-of-the-art vocational programs could be established in specific institutions, e.g., welding in one, auto or computer repair in another, and so forth. Prisoners who desire to learn a particular trade or skill can then be transferred to the appropriate institution.

Central Inmate Accounts/Funds for 7/1/14 - 6/30/15

7.) Two Year Comparison Of Income And Expenses For The Central Inmate Benefit Fund

	2014	2015	Total
Income	881,180.61 ¹	101,266.94	982,447.55
Expenses	<u>140,876.08</u>	<u>322,502.12</u>	<u>463,378.20</u>
Net	740,304.53	(221,235.18)	519,069.35

¹ Includes the \$800,000 transfer from the Law Library Account in October 2013.

There is only a two-year comparison for the CIB because the author has data for just Fiscal 2014 and Fiscal 2015. A combined surplus of nearly \$520,000 is consistent with the surpluses in the other Central Office accounts and how the DOC is managing, or failing to manage, those funds, i.e., stockpiling funds - a very inefficient use of funds.

8.) Conclusion

In Fiscal 2015 alone, the combined net amount of funds i.e., Income - Expenses, excluding the beginning balances in each account, was \$204,132.02 (excludes the transfer of \$9,260 from the Law Library Account to the CIB - see page 6.) That underspending cries out for an explanation.

Even more staggering, however, is that the total amount of the Ending Balances in the three accounts on June 30, 2015 was \$1,978,446.54! Nearly \$2 million - \$616,957.53 in the CIB (31%), \$938,398.62 (50%) in the Law Library Account, and \$378,090.39 (19%) in the Central Program Account - was left accumulating a minuscule rate of interest. Assuming that this mismanagement of funds continues to the present day, then the total amount of unused funds in the three accounts must now exceed \$2,000,000.

On June 30, 2014, assuming the revised beginning balance on July 1, 2013 of \$97,888.18 (see page 3), the total surplus in the three accounts was \$1,784,326.13. Thus, in Fiscal 2015, the total surplus of unused funds in the three accounts increased by \$194,120.41! See Table below of the total surpluses for 2014 and 2015.

	2014	2015	Net
CIB	838,192.71	616,957.53	(221,235.18)
Law Library Account	580,087.67	983,398.62	403,310.95
Program Account	366,045.75	378,090.39	<u>12,044.64</u>
Total			194,120.41

Central Inmate Accounts/Funds for 7/1/14 - 6/30/15

The public-at-large, the legislature, the prisoners who are returning to society ill prepared for the transition and without the requisite skills to be productive citizens, and the prisoners remaining in prison seeking rehabilitation all deserve an answer to one simple question: What good does the DOC see in taking funds from the hands of those who can use them best - the institutions - and then simply holding those funds in the DOC's central accounts?

The DOC continues to misuse funds earmarked for benefiting inmates, and, presumably society as a whole, by failing to adequately prepare prisoners to function as law-abiding citizens rather than returning to prison again and again and again. It is difficult to believe, therefore, that the DOC is serious in fulfilling its mission to protect the public by reducing recidivism. It is not unreasonable to suggest that, if the DOC remains intransigent in its refusal to use the funds effectively which it has assessed from the institutions, then the Commissioner needs to revise the assessment rates downward to allow more funds to be retained at the institutional level or seek out and find those who are ready and able to introduce the programs and services which actually benefit prisoners and society.

- End of Report -