



Department of Public Safety and Correctional Services

Maryland Correctional Enterprises

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BILL(S): Senate Bill 0250 – State and Local Procurement – Payment Practices

DATE: January 28, 2021

IMPACT STATEMENT

The passage of Senate Bill 0250 will negatively affect fiscal expenditures for Maryland Correctional Enterprises (MCE) with the need to hire additional staff and provide the required workspace and equipment for those new hires.

Maryland Correctional Enterprises is the prison industry arm of the Department of Public Safety and Correctional Services (DPSCS). The mission of MCE focuses on providing structured employment and training activities to enhance offender rehabilitation.

Maryland Correctional Enterprises operates is much the same way as any other business not just within the prison business units, but also within the office. The current process of receiving and paying invoices has been challenging within the allotted 30-day time frame, or 20 working days with no Holidays. This has further been exacerbated with COVID increasing telework as well as recent retirements. The present reduction in staffing makes it especially challenging to meet the current payment requirements with the Fiscal Specialists within the Accounts Payable Department. Should the time frame for payment be reduced to 15 days, as SB 0250 proposes, it would reduce the actual time to pay bills to 10 working days, without Holidays.

For the process of bill payment by Accounts Payable, certain considerations must be taken when evaluating the processing time. Once an invoice is received, it must be reviewed to ensure:

- it's compliance with the referenced contract;
- payment amount is accurate as is the service listed on the invoice;
- payee information is complete and accurate;
- finally transmission to the Comptroller's Office for payment.

Once the payment request is sent to the Comptroller's Office in Annapolis, there is another set of reviews that take place to confirm information is accurate and proper payment is issued. Maryland Correctional Enterprises does not operate on the same system the state uses. There is no active link to the State's ADPICS systems, making data transfer different than that of other state agencies.

The above oversight of payments would be required to be completed at the same volume, but in half the time currently allowed. The reduction in time, as proposed in SB 0250, would not only place an undue burden on the current staff to process faster but would ultimately lead to a risk of mistakes.

To ensure that staff can handle an increased pace of processing, there would need to be seven Fiscal Technicians added to the Accounts Payable team. In addition to the increase in the expense by adding the salary of seven PIN positions there would also be the immediate expenditure of adding space to the office to accommodate the increased staff, purchase of work areas and all office technology equipment. The total amount that this would increase expenses at Maryland Correctional Enterprises would be \$289,851 the first year and increase to \$409,732 by year three placing a financial burden on Maryland Correctional Enterprises. In addition to the increased staffing and office space/equipment that would be required, there is the cost associated with late payment penalties. The time to hire and train new staff would not be able to take place immediately resulting in the likely delay of payments and the inability to meet the specified timeframe when implemented. Being charged a late payment penalty would result in a substantial amount very quickly. Further, any future issues related to staffing could very easily result in additional late payments and associated penalties. Again, late payment penalties would create an additional burden. As a self-funded agency, the addition of staff as well as the almost inevitable late payment penalties would create a significant financial burden.

If you have any questions or need additional information please do not hesitate to contact Jennifer Beskid (jennifer.beskid@maryland.gov) at (443)240-8696.