



Department of Public Safety and Correctional Services

Maryland Correctional Enterprises

7275 WATERLOO ROAD • JESSUP, MARYLAND 20794 • www.mce.md.gov
(410) 540-5400 • FAX (410) 540-5570 • TTY USERS (800) 735-2258

STATE OF MARYLAND

LARRY HOGAN
GOVERNOR

BOYD K. RUTHERFORD
LT. GOVERNOR

ROBERT L. GREEN
SECRETARY

RACHEL SESSA
CHIEF OF STAFF

SASHA M. VÁZQUEZ-GONZÁLEZ
ACTING
DEPUTY SECRETARY
ADMINISTRATION

WAYNE HILL
DEPUTY SECRETARY
OPERATIONS

CAROLYN J. SCRUGGS
ASSISTANT SECRETARY

GARY W. McLHINNEY
ASSISTANT SECRETARY

MARYLAND CORRECTIONAL
ENTERPRISES

STEPHEN SANDERS
CHIEF EXECUTIVE OFFICER

BILL(S): House Bill 325 – State Procurement – Payment Practices

DATE: March 25, 2022

POSITION: LETTER OF INFORMATION

Maryland Correctional Enterprises (MCE) is the prison industry arm of the Department of Public Safety and Correctional Services (DPSCS). The mission of MCE focuses on providing structured programming for participants by improving interpersonal skills and employability upon release, enhancing safety and security by reducing prison idleness, and producing quality goods and services while remaining a financially self-supporting State agency.

As introduced, House Bill 325 altered the time-frame for a payment to be made prior to accruing from 45 days to 15. The House amended House Bill 325 by changing the time for a payment to be made from 45 days to 37 days. The bill as amended also requires the Department of Legislative Services (DLS) to submit an annual report regarding the number of staff whose work responsibilities involve processing procurement contract payments, the number of vacancies for these positions, and number of days for procurement payments to be made.

MCE opposed House Bill 325 as introduced as it would require MCE to hire additional staff, provide the workspace and equipment for those new hires, and pay interest on any inevitable late payments until staff can be on-boarded.

However, the amendments adopted by the House make the bill more palatable. The Senate adopted amendments on the crossfile to House Bill 325 (Senate Bill 250) altering the time-frame for payment to be made from 45 days to 30 days. While any reduction in the period of time for payment to be made could negatively affect fiscal expenditures, MCE urges the Committee to adopt the House posture of altering the time-frame for payment to 37 days rather than 30 days.

MCE operates in much the same way as any other business - not just within the State correctional facilities' business units but also in accordance with office procedures. The current process of receiving and paying invoices has been challenging within the currently allotted time frame of 45 days. This has further been exacerbated with COVID-19 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 interest begin accruing on the 37th day at a rate of 9% per annum, as HB 325 proposes, it would still create a financial burden on MCE based on the current staffing.

The Accounts Payable bill process requires certain considerations be taken when processing a payment. Once an invoice is received, it must be reviewed to ensure:

- it's compliance with the referenced contract;
- the payment amount is accurate as is the service listed on the invoice;
- the payee information is complete and accurate;
- the final 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. MCE does not operate on the same system the State uses. There is no direct link between MCE and the State's ADPICS and FMIS systems, making data transfer different from that of other State agencies. The above oversight of payments would be required to be completed within the 37-day time frame or interest would begin accruing on the 38th day.

In order to be able to process payments in the time frame proposed in HB 325 six Fiscal Technicians would need to be added to MCE's Accounts Payable team. In addition MCE would also need to add additional work areas and all office technology equipment. MCE projects incurring additional costs of \$248,444 the first year and increase to \$351,199 by year three, placing a financial burden on MCE.

In addition to the increased staffing and office space/equipment that would be required, there is the cost associated with applied interest. The time to hire and train new staff would not be able to take place immediately resulting in the likely delay of payments and ultimately the inability to meet the specified timeframe resulting in accrual of required interest payments. Further, any future issues related to staffing could very easily result in additional late payments and associated interest payment requirements. As a self-funded agency, the addition of staff as well as the almost inevitable interest charges for late payments 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.