National State Auditors Association

JOINT AUDIT

CORRECTIONS INDUSTRIES

June 1997

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No. 97-60

May 30, 1997

Secretary of State Audits Division

Auditing for a Better Oregon

May 28, 1997

Daniel G. Kyle, President
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P.O. Box 94397
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Dear Dr. Kyle:

This is the report on the results of the National State Auditors Association's (NSAA) 1996 Joint Audit of Corrections Industries.

A record thirteen state audit organizations participated in this joint audit project: California, Delaware, Florida, Illinois, Louisiana, Maryland, Montana, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, and Virginia. Each audit organization conducted an audit of its state's corrections industries program. Oregon coordinated the planning and information sharing during the audit and prepared the joint report based on the reports issued by the participating states.

The NSAA sponsors joint audit projects to improve audit efforts through the sharing of information and expertise. The projects also give states access to a larger audience for those issues that may need to be addressed from a federal or national perspective. We hope that this joint audit report on corrections industries programs will further these goals.

Thank you for the opportunity to have served as the lead state on this project.

Sincerely,
OREGON AUDITS DIVISION

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T A B L E   O F   C O N T E N T S

FOREWORD

In 1987, members of the National State Auditors Association (NSAA) expressed an interest in conducting coordinated audits, using similar audit programs, with other states. As a result, the first joint audit project was undertaken in June 1988. The NSAA sponsors joint projects to improve audit efforts through the sharing of information and expertise. The projects also provide access to a larger audience for those issues that need to be addressed from a federal or national perspective. The following table lists the previous seven NSAA joint audit projects and the coordinating state for each project:

Report Title	Coordinating State
Hazardous Waste (1988)	Office of the Auditor General - Pennsylvania Office of the Auditor General - Michigan
Medicaid Surveillance and Utilization Review (1990)	Office of the Auditor General - Florida
Insurance Regulation (1992)	Office of the State Comptroller - New York
Foster Care Program (1994)	Office of the Comptroller of the Treasury, Division of State Audit - Tennessee
Medicaid Prescription Drug Program (1995)	Office of Legislative Audits - Maryland
Child Support Enforcement Program (1996)	Office of the Auditor General - Michigan
State Contracting for Professional and Technical Services (1996)	Office of the Auditor General - Michigan

This report on Corrections Industries is the eighth joint audit report issued by the NSAA. The project was coordinated by the Secretary of State Audits Division in the state of Oregon and had a record thirteen states participate.

SUMMARY

As part of the 1996 National State Auditors Association's (NSAA) joint audit of corrections industries programs, thirteen states conducted fieldwork and issued reports on their respective programs. This national review covered eleven program and financial issues related to corrections industries, including whether corrections industries conducted adequate planning, maximized inmate employment, and had adequate procedures for efficient operations. While each participating state selected specific areas within its corrections industries program to review, all states generally had similar findings. Specifically, the joint review found that:

- corrections industries are not consistently meeting program goals; and
- opportunities exist to improve corrections industries programs and better meet program goals.

STATES ARE NOT CONSISTENTLY MEETING PROGRAM GOALS

States have established several goals for corrections industries. These goals include being self-sufficient, reducing costs to taxpayers, maximizing inmate employment while incarcerated, and maximizing inmate employment upon release. These goals are intended to provide the industries program with a means to measure success and to serve as a guide for long-range decision-making. Goals assist organizations by establishing direction, prioritizing activities, and serving as a way to measure whether programs are meeting their intended purposes. While corrections industries programs have several goals, states participating in this review found that the industries programs are not consistently meeting these goals. For example, of the nine states that tested whether the corrections industries program was self-sufficient, only three reported that their programs had achieved this goal (Louisiana, Montana and Pennsylvania). The remaining six states found that their industries programs were not generating sufficient funds to cover operating costs (California, Delaware, Illinois, New Jersey, New York, and Virginia). By not achieving the goal of self-sufficiency, states' corrections industries programs may need additional funding from the state, thereby increasing the cost to taxpayers.

OPPORTUNITIES EXIST TO IMPROVE CORRECTIONS INDUSTRIES PROGRAMS AND BETTER MEET PROGRAM GOALS

States reported that corrections industries programs can better meet their goals by improving in the following areas: enhancing all aspects of strategic planning, expanding and improving inmate work opportunities, and implementing sound business practices. For example, twelve states found that their corrections industries programs had not completed adequate planning (California, Delaware, Florida, Illinois, Louisiana, Maryland, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, and Virginia). When corrections industries programs have deficient planning, there can be adverse effects on operations. These adverse effects include difficulties in identifying feasible products and services, determining appropriate pricing levels, considering workforce skills, and measuring customer demand for current and potential products and services. By identifying and making any needed improvements in these areas, corrections industries can position themselves to better meet program goals.

INTRODUCTION

State correctional institutions operate industries programs within which inmate labor is used to produce goods and services. Industries programs are beneficial in that they can help reduce the cost of corrections and government operations, reduce inmate idleness, and provide inmates with marketable skills to increase their employability upon release. To reduce the cost of corrections and other government operations, industries programs can provide correctional institutions and government organizations with needed products and services at below market cost because inmates are a relatively inexpensive labor source. Industries programs can help reduce costs further by requiring inmates to contribute a portion of their earnings towards their cost of incarceration. Industries programs can also help reduce inmate idleness. Inmates with less idle time tend to have fewer disciplinary problems, which alleviates tension and violence. Inmates participating in corrections industries programs also have the opportunity to learn marketable skills such as welding, power sewing, electronics fabrication, and computer-aided mapping. Moreover, making inmates familiar with time clocks, job descriptions, and customer satisfaction can give them valuable experience that they can use when they leave the correctional system, potentially reducing recidivism.

While operating corrections industries can have many positive benefits for state government, corrections industries also pose many challenges. Each state has its own unique laws and regulations for operating industries programs. In many states, laws restrict corrections industries from selling their products to the private sector. Further, corrections industries may also need to comply with federal laws associated with inmate labor, such as paying inmates prevailing wages. Another challenge is that the inmate work force is relatively unskilled, uneducated, and far less stable than that found in the private sector; turnover rates can range from 6 to 15 percent per month due to inmate transfers, releases, and changes in work assignments. These high turnover rates cause corrections industries programs to spend a considerable amount of time training an ever-changing work force. Also, because inmates must remain in a secured environment, an eight-hour work day can be reduced by as much as two hours to account for inmate location, to perform standing counts, and to make inmate searches. Finally, work is periodically disrupted because of lockdowns and other legal or institutional requirements.

BACKGROUND

Corrections industries have a long history in prisons in the United States. By 1860, more than 20 states had implemented industries programs. Prior to this time, inmate labor had been used in a variety of work settings such as in prison work camps making nails, barrels, and shoes; on chain gangs building railroads and canals; and under contract with farmers and businessmen. Private-sector companies began establishing partnerships with corrections industries in the early 20th century to share in the sales of and profits from inmate-made goods.

Although most people believe that inmates should work, corrections industries programs have historically been controversial. As inmate work programs expanded, concerns arose that corrections industries could take jobs away from workers in the free society and that inmates could be exploited. As a result of public pressure and concerns of labor and business, prison systems phased out earlier practices of allowing private industry to contract out prison labor and states began restricting the sale of inmate-produced goods to state and local governments. From 1929 to 1940, Congress passed several laws that eventually banned the shipment of prison-made goods in interstate commerce. The result was a significant drop in corrections industries' employment levels from 85 percent of inmates working in corrections industries in 1900 down to 44 percent four decades later.

Presently, there are corrections industries programs in all fifty states as well as in the District of Columbia. Out of approximately 974,000 inmates incarcerated in state prisons nationwide, over 61,000 (6 percent) are employed in industries programs. Other inmate work programs typically involve institution maintenance such as grounds-keeping, food service, or janitorial work. These jobs are often seen as "make-work" that do not teach valuable skills. However, these institutional-support jobs are important for reducing the cost of institutional operations and can help prepare inmates for more advanced work assignments.

STATES' INDUSTRIES PROGRAMS ARE DIVERSE

In each state, there are industries programs within which inmate labor is used to produce a variety of products and services ranging from agricultural commodities to vehicle renovation. (See Appendix A for a description of the prominent industries products in each state.) Most corrections industries programs are traditional labor intensive industrial operations such as furniture manufacturing, garment making, packaging, and electronic component assembling. Some states have established industries programs that are viewed as somewhat less traditional. For example, in Nevada programs include a stretch limousine operation and a waterbed manufacturing operation. California operates a Trans World Airlines reservation center and Nebraska has several telemarketing projects. The state of Oregon produces a line of denim clothing known as *Prison Blues*. Although garment manufacturing is a traditional corrections industries program, *Prison Blues* not only produces jeans and jackets for Oregon inmates, but also it has established a customer base of small buyers in the United States[1] through catalog and direct sales as well as an international market presence in Europe and Japan.

FEDERAL PRISON INDUSTRIES ENHANCEMENT PROGRAM

To use inmate labor to produce goods for interstate commerce or to fulfill contracts in excess of $10,000 with the federal government, corrections industries programs must comply with federal laws and be certified by the federal Prison Industry Enhancement (PIE) program. The PIE program, administered by the United States Department of Justice, Bureau of Justice Assistance, was established through the Justice System Improvement Act of 1979 to provide limited deregulation of federal prohibitions affecting the movement of state prisoner-made goods in interstate commerce and contracts with the federal government. A maximum of 50 PIE certifications are available to state and local governments nationwide, and as of June 30, 1995, the Bureau of Justice Assistance had issued 36 of the available certifications. To become and remain PIE certified, a program must meet the following established criteria:

(1) pay inmates prevailing wages;

(2) provide financial contributions to a victim's assistance fund;

[1] As of the issue date of this report, Oregon had temporarily stopped the sales of *Prison Blues* goods across state lines while it is attempting to resolve state conflicts with federal PIE program requirements.

(3) consult with organized labor and local businesses that might be affected by the work program prior to start-up;

(4) provide assurance that inmate labor will not displace workers in the free society;

(5) provide workers' compensation;

(6) provide assurance that inmate participation is voluntary; and

(7) involve the private sector.

NATION'S PRISON POPULATION IS GROWING RAPIDLY

Emphasis on expanding inmate work programs comes at a time when the nation's prison population is experiencing rapid growth. As a result of a continuing national effort to punish criminals more severely, the number of inmates has more than doubled. From 1985 to 1995, the number of state and federal inmates nationwide grew from 502,752 to 1,104,074. To handle the tremendous growth in prison population, new prison construction is booming across the nation. In 1996 alone, construction was planned for 27 federal prisons and 96 state prisons; this construction will add 104,449 beds to the existing 1.1 million beds. As the prison population continues to grow, more and more inmates will need to be occupied with work and other activities. To create these activities, including corrections industries jobs, states will face a unique and unprecedented challenge.

SCOPE AND METHODOLOGY

For the 1996 National State Auditors Association's (NSAA) joint audit project, member states selected "Corrections Industries" as the audit topic. Thirteen states chose to participate in the audit: California, Delaware, Florida, Illinois, Louisiana, Maryland, Montana, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, and Virginia. The state of Oregon served as the lead state in planning and coordinating the audit, and in compiling and reporting the cumulative audit results.

Auditors from thirteen states met on November 6 and 7, 1995, to determine the audit objectives and draft the audit program. Because corrections industries programs vary from state to state, each state selected which of the eleven agreed-upon objectives to pursue. States were allowed to modify the audit program, if necessary, to better address issues relevant to their state. The audit objectives established for the 1996 NSAA Joint Audit of Corrections Industries were as follows:

- Assess the adequacy and reasonableness of the corrections industries program planning efforts, including whether they include well-defined program goals, objectives, and performance measures; and strategic business plans that address program goals and objectives;

- Determine whether the corrections industries program is faced with statutory or mandatory goals or objectives that are conflicting and may cause obstructions to the marketplace;

- Determine the extent to which corrections industries programs are self-sufficient;

- Determine the extent to which corrections industries programs are reducing the cost to taxpayers;

- Determine whether programs are maximizing inmate employment while incarcerated;

- Determine whether programs are maximizing employability of inmates when released;

- Determine whether goods are competitively priced and whether sales efforts are efficient and effective;

- Determine whether there are adequate controls over products and services;

- Determine the extent to which partnerships with the private sector are being used to develop inmate work programs;

- Determine whether corrections industries programs are using short-term and long-term financing effectively; and

- Determine whether costing methods follow appropriate cost accounting principles.

In general, the audit period covered the fiscal year ending June 30, 1993 to the fiscal year ending June 30, 1995. Fieldwork was conducted by each participating state from December 1995 through December 1996. However, one state, Montana, completed its audit work prior to this period.

During the course of this review, the NSAA contacted and obtained information on corrections industries from the Correctional Industries Association. This association, an affiliate body of the American Correctional Association, is the professional organization of corrections industry managers, supervisors, superintendents, and others employed in the industry. The Correctional Industries Association agreed to provide the written response found on page 41 of this report. In addition, we solicited and received a response from the Association of State Correctional Administrators; this response is on page 43 of this report.

All participating states' audit work was conducted according to generally accepted governmental auditing standards.

AUDIT RESULTS

States' corrections industries are not consistently meeting program goals. Program goals are used to provide decision-making guidance and a method for measuring whether corrections industries programs are achieving their intended purpose. As a result, corrections industries programs are not always operating in a way that is cost-effective, efficient, or in the best interest of each state and its taxpayers.

While corrections industries are not consistently meeting program goals, opportunities exist for states to make improvements in the program. States identified several areas in which corrections industries could improve operations. These areas include enhancing all aspects of strategic planning, expanding and improving inmate work opportunities, and implementing sound business practices. By making improvements in these areas, corrections industries can better position themselves to achieve the intended goals of the program.

CORRECTIONS INDUSTRIES ARE NOT CONSISTENTLY MEETING PROGRAM GOALS

To measure success and provide guidance for long-range decision-making, it is important for organizations to establish program goals. Goals assist organizations to establish direction and prioritize activities as well as to measure whether programs are meeting their intended purpose. States have established several goals for corrections industries programs. These goals include being self-sufficient, reducing costs to taxpayers, maximizing inmate employment while incarcerated, and maximizing inmate employment upon release. However, most states found that corrections industries programs are not consistently meeting these goals.

<u>GOAL</u>: Self-Sufficiency

A common goal states have established for corrections industries is that the programs be self-sufficient. Self-sufficiency means that the corrections industries program is generating enough funds to cover its operating costs, thereby resulting in no additional costs to the taxpayers or no need for additional funding from the state.

Of the states participating in our review, nine tested whether their corrections industries program was self-sufficient (California, Delaware, Illinois, Louisiana, Montana, New Jersey, New York, Pennsylvania, and

Virginia). Of these nine states, three reported that the corrections industries' program was self-sufficient (Louisiana, Montana and Pennsylvania). Five states found that corrections industries programs were not generating sufficient funds to cover operating costs, resulting in the state's needing to provide additional funds to the industries program to sustain operations. For example, the state of New York found that its corrections industries program was not self-sufficient and that the program reported an operating loss of $4.4 million for the 1995-96 fiscal year. Such losses are covered by state appropriations, resulting in New York's taxpayers having to subsidize the state's industries program. Delaware found that the state's cost to operate its industries program has increased annually in recent years. During the four-year period from fiscal year 1992-93 through fiscal year 1995-96, the industries program's operating costs were more than $5.1 million while receipts totaled less than $2.6 million. These losses resulted in a reliance on increasing annual state support. One state, Illinois, experienced $518,000 in losses over the past five years, requiring it to use accumulated prior earnings to cover these losses.

<u>GOAL</u>: Reduce Costs To Taxpayers

Another goal for corrections industries is that the states' programs reduce costs to taxpayers. Corrections industries programs can reduce taxpayer costs several ways. First, the state can require inmates to contribute a portion of their wages toward the cost of their incarceration or the state can retain a portion of the corrections industries program's earnings. For example, Oregon requires that a portion of inmate earnings go toward reimbursement for the costs of the inmates' rehabilitation, housing, health care, and living costs. Florida, on the other hand, receives an annual payment from its industries program that is determined by the industries program's board of directors. For the 1994-95 fiscal year, Florida received $1,164,000 from its industries program to help offset the state's cost of incarceration.

Another approach for reducing taxpayer costs would be for industries programs to provide goods and services to government organizations at below market prices. By purchasing lower cost products and services produced by corrections industries, government organizations can achieve savings. For example, in Montana state institutions are able to purchase milk products from the industries dairy program at prices ten percent below prices set by the state's Board of Milk Control. For the 1993-94 fiscal year, Montana's estimated savings from purchasing dairy products produced by the industries program was $45,000.[2] New Jersey also noted that on average nearly all of corrections industries products are offered at prices ten percent below those of other vendors.

As part of our review, seven states tested whether their corrections industries program was reducing costs to taxpayers (California, Delaware, Montana, Oregon, Pennsylvania, New Jersey and New York). While states can show that they are reducing some costs by subsidizing prison operations, many are either costing the state money or are unable to demonstrate cost savings. California, Delaware and New York all reported that their programs are not reducing costs. Specifically, California found that although the industries program has reported a net income over the past two fiscal years, it has been heavily subsidized though continuing interest-free capital contributions and rent subsidies. Two states, Oregon and Pennsylvania, found that their corrections industries programs did not maintain adequate financial information to demonstrate whether they were reducing costs. Montana and New Jersey, however, were able to identify some cost savings. The industries program in Montana had an estimated $604,006 in savings resulting from sales to state agencies for fiscal year 1993-94. For fiscal year 1994-95, New Jersey found that $2.1 million in taxpayer savings was realized through reduced prices.

GOAL: Maximize Inmate Employment While Incarcerated

A third common goal for corrections industries is for the program to provide employment for inmates. Correctional experts and the general public commonly support the premise that inmates should engage in a rigorous program of constructive labor. Employing inmates reduces idleness, long thought to be an undesirable and counterproductive feature of prison life. In addition to reducing idleness, industries jobs can provide inmates with specific work skills. Inmates can use these occupational

[2] During the 1995 legislative session, the Montana statute was revised to eliminate retail milk price control by the Board of Milk Control. As a result, Montana anticipates future savings in this area to be less than those identified at the time of the audit.

skills when they leave the prison system to enhance their employability, which can result in a reduction in recidivism.

Eight of the states that participated in this review reported that their state had a program goal of maximizing inmate employment while incarcerated (California, Florida, Montana, Maryland, New Jersey, Oregon, Pennsylvania, and Virginia). However, actual employment goals varied from state to state. For example, both Florida and Oregon require all able bodied inmates to work whereas Virginia only requires the employment of inmates whenever feasible. California has a goal of employing 42 percent of all inmates in its industries program, but believes it is not a realistic expectation.

Of the five states that pursued this objective, all five found that their industries programs were not maximizing inmate employment (California, Florida, Maryland, New York, and Oregon). Further, four of the five states reported that the number of inmates employed has declined in recent years. Of the five states that pursued this objective, only one state, Oregon, noted that inmate employment had increased. However, while Oregon found that inmate employment has increased since 1994, this increase was primarily attributable to increases in institutional support jobs, not industries jobs.

GOAL: Maximize the Employability Of Inmates When Released

A fourth goal of corrections industries is for the program to increase the employability of inmates when released. Industries programs can help inmates become self-sustaining and productive upon re-entering the community. Working in corrections industries exposes inmates to the norms and practices of the world of work and can provide inmates with occupational skills so that there will be a reduced likelihood of their returning to prison. A study of federal corrections industries found that the federal program reduces recidivism within the first year by as much as 35 percent.

Eight states reviewed their corrections industries programs to determine if the programs were maximizing the employability of inmates when released (California, Delaware, Florida, Illinois, Maryland, Montana, New

Jersey, and Rhode Island). All states noted weaknesses in this aspect of the program, with a majority finding that the industries program could not demonstrate whether it increased employability or reduced recidivism. Specifically, seven states noted that the industries program lacked a method to track inmates when they leave prison (California, Delaware, Illinois, Maryland, Montana, New Jersey, and Rhode Island). Not having a tracking method limits the ability of corrections industries to determine if they are providing inmates with relevant employment opportunities or improved occupational skills. In addition, California, Delaware, and New Jersey reported that they have no established job placement program for released inmates. Florida found that even though corrections industries offered job placement assistance to former industries workers, not all eligible inmates were served by the program. Finally, California and New Jersey found that their states could better match the corrections industries job training and work opportunities with the skills needed in the current labor market.

OPPORTUNITIES EXIST TO IMPROVE CORRECTIONS INDUSTRIES PROGRAMS AND BETTER MEET PROGRAM GOALS

While corrections industries programs have not consistently met program goals, states identified several opportunities for improvement that will better enable them to meet these goals.

Conflicting Goals Should Be Prioritized

One of the challenges facing corrections industries is that the programs frequently must operate under conflicting goals and mandates. When goals and mandates conflict, a program is left to operate without a clear direction. This lack of direction impacts all facets of a program, particularly its ability to make operational decisions and to plan for the future. Eight states reviewed whether their corrections industries program operated under conflicting goals and mandates; all eight identified conflicting objectives. For example, in Virginia state law requires corrections industries to be self-sufficient and to employ inmates, but it does not clarify which of these mandates is more important. Should Virginia focus solely on maximizing inmate employment, it could incur unnecessary costs by employing inmates without a real need for their services, thus jeopardizing its ability to be self-sufficient. Seven other states (California, Louisiana, Maryland, New Jersey, Oregon, Pennsylvania, and Rhode Island) identified conflicting goals and mandates as a factor impacting the effectiveness of their corrections industries programs.

Recommendations

States' corrections industries programs should work with their legislatures to clarify and prioritize corrections industries goals and mandates.

If necessary, states' legislatures should consider statutory changes to clarify which goals are overriding.

Strategic Planning Can Be Improved

Strategic planning is an important management tool for guiding and controlling an organization's operations. According to current literature, strategic planning provides a disciplined approach to produce fundamental decisions and actions to shape and guide what an organization is, what it does, and why it does it. The benefits of strategic planning include: established organizational priorities for action; improved decision-making; and enhanced organizational responsiveness. Because the nature of the corrections industries programs combines the elements of private industry (e.g. the need to be self-sufficient and profitable) with the realities of incarceration (e.g. the lack of available skilled labor), planning is needed to develop efficient and effective operations that will achieve varied and often conflicting program goals. However, while the importance of strategic planning cannot be understated, twelve of the thirteen states that reviewed the planning efforts of their corrections industries programs found that improvements were needed in this area (California, Delaware, Florida, Illinois, Louisiana, Maryland, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, and Virginia). One state, Montana, reported that its corrections industries program's planning efforts were adequate and reasonable.

An adequate strategic plan should have a clearly stated mission statement, well-defined program goals and objectives, written strategies, and performance measures designed in such a way that provides meaningful information on the program's progress in achieving its mission, goals, and objectives. Strategic plans have to be monitored, periodically updated, and communicated to all staff. Most states found that their corrections industries program was deficient in these areas. For example, New York found that its industries program performs no formal long-range planning for its markets, products, and services. As a result, the various corrections industries units have no clear idea of the overall program's current and future direction or its strategic objectives. Delaware noted that its program lacks a formal business plan, has inadequate accounting and internal control systems, and lacks a comprehensive marketing strategy. Illinois reported that its corrections industries program only performs strategic planning informally and the program's lack of strategic direction has resulted in continued funding of unprofitable industries. Florida found that while corrections industries had established a strategic planning process, including the development of a strategic plan and performance measures, the planning procedures could be improved to include consistently stated goals, detailed action plans, relevant performance measures, and use of performance measure results.

Recommendations

States' corrections industries programs should:

- develop and adopt a written mission statement that outlines management's priorities for the corrections industries programs;
- establish measurable goals and objectives for the programs;
- construct a strategy and establish workplans to facilitate the efficient and economical accomplishment of the strategy;
- communicate the mission, goals, objectives, and strategies to all corrections industries personnel;
- implement performance measures to determine if goals and objectives are being met; and
- review and update strategic plans periodically to make necessary adjustments and changes to the industries programs' operations.

Legal Restrictions Should Be Re-Evaluated

Several states found that legal restrictions imposed on their corrections industries may inhibit the program from operating efficiently. These restrictions vary by state, but generally involve the purchasing and selling of goods and the ability to establish partnerships with the private sector.

Nine states identified market restrictions imposed on their corrections industries with respect to selling finished products (California, Delaware, Florida, Louisiana, Maryland, Montana, New Jersey, New York, and Virginia). Corrections industries operating in these states, with few exceptions, are limited to selling finished products to governmental and nonprofit organizations. For example, Virginia's corrections industries program is limited to selling its products and services to state agencies; city, county, and municipal governments; and nonprofit organizations. New Jersey not only restricts the sale of inmate-produced goods, but it also restricts the contracting of inmate labor to the private sector. New Jersey's current relationship with the private sector is limited to the purchasing of raw materials. New York reported that corrections industries is restricted from establishing private sector partnerships. Based on existing statutes, legislative changes would be necessary before the industries program could be authorized to initiate prison industry enhancements with the private sector. Regarding purchasing raw materials, Pennsylvania found that the state's purchasing procedures and requirements prevented its corrections industries from receiving benefits such as bulk purchase and prompt payment discounts offered by vendors.

Recommendations

States' corrections industries should identify any legal restrictions believed to be an impediment to market access or program operations. For the restrictions identified, the corrections industries program should consider whether it would be advantageous to pursue legislative changes to remove or modify these restrictions.

States' legislatures should consider legislative changes that will help corrections industries programs meet their program goals.

Partnerships With the Private Sector Can Be Improved

One way for states to expand inmate work programs is to establish partnerships with private sector businesses. To attract these partnerships, corrections industries can offer various incentives. For example, private sector partners can obtain manufacturing space at greatly reduced rates, have facilities constructed, and can often have the cost of utilities and insurance defrayed. In addition, partnerships that are PIE-certified programs, while required to pay inmates prevailing wage, do not incur the expense of employee benefit packages such as health, retirement, and vacation pay. Many corrections programs also cover the cost of employee training.

Although corrections programs may offer the private sector several incentives to establish partnerships, the programs need to help their potential partners deal with the challenges associated with using inmate labor and with operating a business inside a secure facility. Businesses may have work interruptions due to necessary security procedures such as institutional lockdowns and inmate counts as well as inmate turnover and availability limitations. For example, inmates may miss work due to time away for court appointments, time spent in disciplinary segregation, and institutional transfers. These interruptions may increase the training requirements and the number of inmate workers needed to maintain operations. In addition, potential partners must consider the delays resulting from moving products and materials in and out of secure facilities as well as the unskilled nature of inmate labor which can increase production time, equipment breakage rates, and related repair and maintenance costs. While these conditions present challenges that appear to be insurmountable, they can and have been overcome.

Only five states reported that partnerships had been established with the private sector (Florida, Louisiana, Montana, Oregon, and Virginia). While some states, like New York, are legally restricted from establishing partnerships with the private sector, other states, like Oregon, are required by statute to aggressively pursue partnerships with the private sector. In Oregon, several private sector businesses have expressed an interest in a partnership with corrections industries; however, Oregon has struggled with establishing a process for partnership development. Oregon has also struggled with various constraints that impact partnership development. These constraints include limited institutional space for new partnerships, limited educational level of inmates, and limited growth in jobs that inmates can reasonably perform.

Recommendations

States' corrections industries should consider whether it would be advantageous to establish partnerships with the private sector. For states in which the corrections industries program is restricted by law from establishing such partnerships, legislative changes should be evaluated.

Inmate Worker Selection Process Can Be Improved

In order to ensure that inmates are placed in jobs that best match their skills and abilities and that the work experience they obtain will be beneficial to them upon release, it is important that corrections industries establish an effective selection process when assigning jobs.

Florida, for example, has developed a selection process for placing inmate workers. Inmates are periodically evaluated and are assigned to work programs based on their evaluations, on their length of sentence, and the institution's needs. In Montana, an inmate's security classification determines his or her access to industries jobs. In addition to meeting security requirements, inmates must apply for industries jobs, be interviewed, and occasionally take tests that verify specific skills, such as welding or maintenance expertise.

Other states, however, noted that improvements could be made in inmate worker selection. Of the five states that tested whether their industries program had an adequate inmate worker selection process, three found weaknesses in this area (California, Louisiana and New Jersey). In California, inmates are not consistently screened for education prerequisites or the length of their sentences. The industries program does not always employ inmates who will eventually be released and have a chance to succeed in the outside world and does not minimize the use of inmates with true life sentences. In Louisiana and New Jersey, the majority of inmates working in industries jobs are those who have lengthy sentences and would not benefit the most from the program's training aspects.

Recommendations

States' corrections industries should implement a selection process for assigning inmate workers to jobs. This process should consider not only the inmate's skills and abilities, but also the length of sentence to ensure that the training the inmate receives will be relevant upon release.

Job Placement Programs For Released Inmates Should Be Established

While industries programs can provide inmates with specific work skills that may help reduce their chance of recidivism upon release, these skills need to translate into jobs for the released inmates. To assist inmates with securing outside employment, states' corrections industries should establish job placement programs. Of the four states that reviewed whether their corrections industries program provided job placement for released inmates, only one state, Florida, had established such a program. To ensure that inmate workers have the opportunity to not only obtain job training, but also to receive transitional assistance upon release, the corrections industries program has established a unit whose goal is to assist inmate workers released to the community with gainful employment and job-related services.

Other states, however, noted that the corrections industries programs have no established job placement mechanism (California, Delaware and New Jersey). In Delaware, for example, the corrections industries program does not provide personalized assistance to former inmate workers relative to gaining employment upon release. New Jersey did find that, while having no formal job placement program available to released inmates, some corrections industries' shop supervisors have forged relationships with private businesses and have been able to recommend shop inmates for employment after release. These referrals to outside jobs, however, are the exception and are available only for those inmates with special skills in limited industries.

Recommendations

States' corrections industries should have a post-release job placement program to help inmates identify and secure jobs after release.

Matching Inmate Employment Opportunities With The Labor Market Can Be Improved

In order for the experience inmates gain from working in corrections industries to be of maximum value and use to them upon release, the skills provided by the industries program must be needed in the outside labor market. Of the seven states that reviewed the marketability of skills provided by their corrections industries program, six states noted weaknesses in this area. Two states found that the employment skills inmates obtain are not matched by corrections industries programs to outside work opportunities (California and New Jersey). In California, the marketability of the skills obtained from working in the industries program is questionable. Some industries jobs are in fields with a labor surplus, which utilize outmoded equipment and production techniques, or require licenses that are difficult for convicted felons to obtain. New Jersey also noted that most industries jobs are in fields of labor surplus. For example, half of New Jersey's industries jobs are in clothing shops where post-release opportunities appear to be limited. In addition, efficient use of labor through improved mechanization is not a requirement, as it is in private industry. Because of the need to utilize as many inmates as possible, labor saving techniques and the use of high-technology equipment used by private industry is usually avoided. Four other states (Delaware, Illinois, Louisiana, and Rhode Island) found that their corrections industries lacked the information necessary to determine whether the program was providing inmates with marketable skills. Finally, one state, Florida, reported success in this area. Of the 273 job placements for released inmates in the 1994-95 fiscal year, 46 percent were in occupations that matched the inmate's corrections industries training. The goal was 40 percent.

Recommendations

States' corrections industries should use labor market studies to identify jobs and job skills that are in demand and attempt to match work opportunities for inmates with outside labor needs.

Product Pricing Can Be Improved

Product pricing involves states' corrections industries determining the amount to charge customers for their products and services. The strategy used to price products should be in line with the programs' overriding goals and objectives. For example, if the program's primary goal is to remain self-sufficient, the program should charge enough to fully recover all operating costs. On the other hand, if the program's primary goal is to maximize inmate employment, the program should charge enough to create the necessary market demand for the product so that inmates can remain gainfully employed.

States reported that the method used by corrections industries to determine product prices varies. In New Jersey, prices are established to maximize inmate employment. In four states (Illinois, Maryland, Rhode Island, and Virginia), the corrections industries' goal is to price the products as competitively as possible to comparable products in the private sector. Virginia noted, however, that while the industries' goal is to establish competitive prices, there are no specific requirements for developing product prices. As a result, the industries program can charge prices that exceed a product's full cost at its discretion and use the excess funds to subsidize operations that are not self-sufficient. In addition to Virginia, other states also have no specific requirements for developing product prices (California, New York and Oregon). For example, in California the industries program, with few exceptions, is able to establish prices in a monopoly environment with a captive customer base. In Oregon, the industries program typically prices its products based on what it believes the customer will pay, not on the actual cost of producing the good or providing the service.

Even though states' corrections industries may have goals or requirements for pricing their products, many states found that their program does not properly determine, document, or track the costs it incurs to produce its products. Of the six states that reviewed how corrections industries determined product cost, all six reported that their industries program needed improvement in this area (California, Louisiana, Maryland, Pennsylvania, Oregon, and Rhode Island). For example, in Rhode Island the industries program is unable to generate current and reliable information on the cost of manufacturing its products or providing its services. As a result, the prices it charges may not fully recover costs. Pennsylvania found that prices were often set at the discretion of plant managers and that the data necessary to make sound pricing decisions and to determine product profitability is unavailable from its corrections industries' present accounting system. Maryland did find that corrections industries conducts a market analysis to determine the price of similar products available from private sector companies when establishing new prices for products. However, the industries program does not periodically update the selling prices from existing products to ensure that the desired gross profit was achieved for each product and that the price did not exceed the prevailing average market price. As described above, when product prices are not based on accurate cost data, corrections industries may not be recovering the full value of the product and the decision-making ability of the program is impaired.

Recommendations

States' corrections industries should identify and maintain accurate product cost information for all of their products and services and should periodically perform market analyses for existing product lines. Industries programs should then establish product prices that are in line with their programs' overriding goals and objectives.

Sales And Marketing Efforts Can Be Improved

The efforts taken by corrections industries to sell and market their products and services can have a significant impact on the program's success. Efforts that corrections industries could undertake include conducting market research to target customers and potential products and services, initiating and maintaining customer contacts, developing competitive pricing for products and services, and planning and developing new products and services.

Most states found, however, that their corrections industries could improve sales and marketing efforts. Of the ten states that reviewed this issue, nine states found notable sales and marketing weaknesses (California, Delaware, Illinois, Louisiana, Maryland, New York, Pennsylvania, Rhode Island, and Virginia). For example, in Delaware the corrections industries program does not take advantage of all of its available markets and does not have a formal sales or marketing strategy. There is no prepared catalog or price list for products and services, resulting in marketing essentially being done by word-of-mouth. A survey of customers in Maryland found that the industries program's sales catalog lacked important information, was too complicated and confusing, was not "user friendly," and was not sent to almost half of the survey respondents. In Pennsylvania, the industries marketing staff neither projected nor prepared sales forecasts. Also, records were not maintained to document sales of individual products or to accumulate sales of each sales representative, resulting in the corrections industries program's not being able to determine which products were in demand or the effectiveness of its sales staff. Only one state, Montana, reported that its corrections industries' sales and marketing efforts were effective.

Recommendations

States' corrections industries should:

- assess the market demand for their products and services and identify those areas upon which to target their marketing efforts;

- collect the market data necessary to determine which products should be produced and where products should be added or eliminated; and

- ensure that they have up-to-date price lists or sales catalogs and that the current information is sent to all potential customers.

Quality Assurance Programs Can Be Improved

Quality assurance programs help ensure that products meet established standards and help maintain customer satisfaction. Without a quality assurance program, corrections industries risk not meeting specifications in the products and services they offer. Poor quality can lead to returns, rework, and an inability to maintain repeat business among a program's customer base. Of the five states that reviewed their corrections industries for quality assurance, all five noted weaknesses in this area. Two states reported that their corrections industries program does not have a quality assurance program in place (New Jersey and Rhode Island). New Jersey found that its corrections industries has no formal program and no staff specifically assigned to quality control activities. The assurance of quality in this state is based on customer satisfaction as measured only through product returns. Other states noted that while some quality controls may be in place, these controls are not adequate to ensure consistent products (New York, Oregon and Pennsylvania). For example, in Oregon meat yields from farm-raised beef cattle were lower than standard yields published in an industry magazine. In New York, customers have been particularly critical of the delivery of damaged or defective products. For a period of 18 months ending June 30, 1996, damaged or defective products were the subject of at least 60 percent of complaints received. Montana found that quality control varied depending on the product line. For example, milk and dairy products are subject to the same high quality state inspections as commercial producers, whereas manufactured items receive quality control inspections during production and assembly by inmates and industries supervisors.

Recommendations

States' corrections industries should establish and maintain quality assurance programs to ensure the consistency and customer satisfaction of their products.

Product Delivery Schedules Can Be Improved

Timely product delivery is an important component of customer satisfaction. The amount of time it takes for corrections industries to deliver products to their customers is an area that states identified as needing improvement. Five states reviewed product delivery times for corrections industries and all five states reported deficiencies with their program's delivery times (California, Maryland, New York, Pennsylvania, and Virginia). In California, it takes approximately 150 days for corrections industries to deliver its products. Customers have expressed dissatisfaction with California's corrections industries' delivery commitments, on-time deliveries, ability to keep frequently ordered items in stock, and ability to expedite orders. Pennsylvania also found indications of its corrections industries' inability to deliver products in a timely manner. This state identified 17 of 27 purchase orders with requested delivery dates that were not delivered on-time. The excessive delivery times by states' corrections industries may indicate that the programs are struggling with the following: anticipating customer orders; planning and scheduling production at each factory; standardizing production processes; monitoring the status of customer orders and production; resolving problems that occur; scheduling and managing the availability of inmates to work; and managing inventory.

Recommendations

States' corrections industries should review their product delivery schedules to determine whether products are delivered in a timely manner. If delivery times are found to be excessive, corrections industries should review their processing and production procedures and eliminate unnecessary or inefficient processes which impact delivery to customers.

Inventory Management Can Be Improved

Some states found that their corrections industries could make improvements in inventory management. Inventory is a valuable asset to corrections industries, and the management of this asset directly impacts the program's profitability and ability to remain financially viable. The states of California, New York and Oregon reviewed how their corrections industries manage and control their inventories and all three found weaknesses in this area.

Two of the three states found that they incurred unnecessary costs due to maintaining excess inventory. For some product lines in California, corrections industries maintains excessive inventory levels that are several times higher than inventory levels of comparable products maintained by firms in the private sector. As a result, the state is incurring unnecessary storage and carrying costs. In fiscal year 1994-95, California's corrections industries incurred unnecessary carrying costs of $2.7 million. These costs included the warehouse space needed for storage, depreciation, interest on funds invested in inventory, and obsolescence. New York also found that its corrections industries maintained excessive inventory of some items. The excessive supply resulted primarily from over-forecasting product need and over-purchasing.

Oregon found that additional costs were incurred because inventory was not properly cared for or protected from damage. Oregon's review noted a number of damaged items as a result of poor handling and storage of inventory.

Finally, another weakness noted by Oregon was that sound inventory controls, such as proper segregation of duties, were not in place to prevent inventory loss or theft. Lost or stolen inventory results in increased product costs. In Oregon, there was a lack of separation of job responsibilities related to inventory. The same employee was authorizing the shipping and receiving of goods, recording inventory additions and sales, preparing invoices for sold inventory, and maintaining custody of the inventory. While no instances of theft or losses were noted, the potential exists under these circumstances.

Recommendations

States' corrections industries should review their inventory management practices to determine if there are areas needing improvements, including:

- ensuring that raw materials are not overstocked by considering sales forecasts and current inventory levels when re-ordering materials;

- ensuring that inventory is stored in a manner that protects it from damage; and

- ensuring that there is a proper segregation of job responsibilities for the inventory functions.

CONCLUSION

States have established several goals for corrections industries programs. These goals include being self-sufficient, reducing costs to taxpayers, maximizing inmate employment while incarcerated, and maximizing inmate employment upon release. A review conducted by the states participating in this joint audit found that established goals were not consistently being met by their state's corrections industries. However, the states did identify areas in which corrections industries could improve to better meet program goals. These areas include enhancing all aspects of strategic planning, expanding and improving inmate work opportunities, and implementing sound business practices.

REPORT DISTRIBUTION

This report is a public record intended for the information of the National State Auditors Association (NSAA), the Correctional Industries Association (CIA), the Association of State Correctional Administrators, and all other interested parties.

COMMENDATION

The following state audit organizations wish to express their appreciation for the courtesies and cooperation extended by officials and staff of their states' corrections industries programs and the Correctional Industries Association during the course of this joint audit.

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1996 Correctional Industries Association Directory

Summary of Corrections Industries Programs

State	Inmate Population	Number of Inmate Workers	Industries Products and Services
Alabama	18,400	1,600	Agriculture commodities, architectural/engineering, beef cattle, bindery, boxes/cartons, construction, data processing, decals, flat goods, furniture, garments, license plates, mattresses, metal products, paint, print, refurbishing, signs, upholstery, and vehicle renovation.
Alaska	3,031	151	Agricultural commodities, flat goods, food processing, furniture, garments, laundry, metal products, refurbishing, upholstery, and vehicle renovation.
Arizona	20,742	946	Agricultural commodities, bindery, construction, data processing, decals, flat goods, furniture, garments, license plates, mattresses, metal products, micrographics, print, refurbishing, signs, telephone services, and upholstery.
Arkansas	7,888	502	Athletic products, decals, flat goods, furniture, garments, lumber, mattresses, metal products, print, refurbishing, signs, upholstery, and vehicle renovation.

State	Inmate Population	Number of Inmate Workers	Industries Products and Services
California*	127,219	7,012	Agricultural commodities, bakery, bindery, boxes/cartons, dairy, data processing, decals, electronics, food processing, footwear, furniture, garments, healthcare products, laundry, license plates, mattresses, metal products, micrographics, optical, poultry, print, recycled products, refurbishing, signs, and upholstery.
Colorado	9,847	1,109	Agricultural commodities, beef cattle, construction, dairy, data processing, decals, electronics, emergency products, flat goods, food processing, furniture, garments, GIS/CADD, license plates, mattresses, metal products, print, recycled products, refurbishing, signs, telephone services, upholstery, and vehicle renovation.
Connecticut	15,000	450	Bindery, data processing, decals, dental, furniture, garments, GIS/CADD, laundry, license plates, mattresses, metal products, micrographics, print, refurbishing, signs, and upholstery.
Delaware*	4,600	175	Furniture manufacture and repair, print, small appliance repair, and vehicle maintenance and repair.
District of Columbia	9,000	500	Agricultural commodities, beef cattle, bindery, dairy, decals, flat goods, furniture, garments, laundry, license plates, mattresses, metal products, print, refurbishing, signs, and upholstery.
Florida*	61,992	4,648	Agricultural commodities, beef cattle, bindery, boxes/cartons, dairy, data processing, decals, dental, emergency products, flat goods, food processing, footwear, furniture, garments, GIS/CADD, healthcare products, janitorial products, license plates, lumber, mattresses, metal products, optical, paint, poultry, print, refurbishing, sanitary maintenance, signs, tires, upholstery, and vehicle renovation.

State	Inmate Population	Number of Inmate Workers	Industries Products and Services
Georgia	34,000	1,200	Architectural/engineering, athletic products, decals, emergency products, flat goods, footwear, furniture, garments, license plates, mattresses, metal products, optical, print, refurbishing, sanitary maintenance, signs, and upholstery.
Hawaii	2,251	350	Agricultural commodities, beef cattle, bindery, construction, data processing, furniture, garments, GIS/CADD, metal products, print, refurbishing, and upholstery.
Idaho	3,500	300	Agricultural commodities, beef cattle, dairy, data processing, decals, furniture, GIS/CADD, license plates, lumber, mattresses, metal products, micrographics, print, refurbishing, signs, telephone services, and upholstery.
Illinois*	35,436	1,654	Agricultural commodities, athletic products, bakery, beef cattle, beverages, bindery, boxes/cartons, dairy, data processing, decals, flat goods, food processing, furniture, garments, GIS/CADD, healthcare products, janitorial products, laundry, mattresses, metal products, micrographics, optical, recycled products, refurbishing, sanitary maintenance, signs, telephone services, tires, upholstery, and vehicle renovation.
Indiana	15,721	1,665	Agricultural commodities, bakery, beef cattle, boxes/cartons, dairy, decals, food processing, furniture, garments, GIS/CADD, janitorial products, laundry, license plates, lumber, mattresses, metal products, print, refurbishing, signs, upholstery, and vehicle renovation.

State	Inmate Population	Number of Inmate Workers	Industries Products and Services
Iowa	5,702	299	Agricultural commodities, beef cattle, data processing, decals, flat goods, furniture, garments, healthcare products, license plates, mattresses, metal products, micrographics, print, recycled products, refurbishing, sanitary maintenance, signs, telephone services, and upholstery.
Kansas	6,714	418	Beef cattle, data processing, decals, furniture, garments, mattresses, micrographics, paint, refurbishing, signs, telephone services, upholstery, and vehicle maintenance.
Kentucky	10,888	700	Data processing, decals, furniture, garments, license plates, mattresses, metal products, print, recycled products, refurbishing, sanitary maintenance, signs, and upholstery.
Louisiana*****	24,937	1,157	Agricultural commodities, athletic products, beef cattle, dairy, data processing, decals, flat goods, food processing, furniture, garments, janitorial products, license plates, lumber, mattresses, metal products, micrographics, print, refurbishing, sanitary maintenance, signs, upholstery, and vehicle renovation.
Maine	1,447	275	Agricultural commodities, beef cattle, flat goods, food processing, furniture, garments, laundry, license plates, lumber, metal products, micrographics, print, refurbishing, signs, upholstery, and vehicle renovation.
Maryland*****	21,300	1,196	Boxes/cartons, construction, data processing, decals, flat goods, food processing, furniture, garments, janitorial products, license plates, mattresses, metal products, print, refurbishing, sanitary maintenance, signs, telephone services, and upholstery.

State	Inmate Population	Number of Inmate Workers	Industries Products and Services
Massachusetts	10,830	456	Bindery, construction, dairy, decals, flat goods, furniture, garments, janitorial products, license plates, mattresses, metal products, optical, print, refurbishing, signs, upholstery, and vehicle renovation.
Michigan	40,000	2,797	Agricultural commodities, athletic products, beef cattle, boxes/cartons, dairy, data processing, decals, dental, flat goods, food processing, furniture, garments, janitorial products, laundry, license plates, lumber, mattresses, metal products, refurbishing, sanitary maintenance, signs, and upholstery.
Minnesota	4,644	1,067	Data processing, decals, emergency products, flat goods, furniture, garments, GIS/CADD, license plates, mattresses, metal products, print, recycled products, refurbishing, signs, telephone services, upholstery, and vehicle renovation.
Mississippi	12,486	286	Bindery, flat goods, garments, metal products, print, and signs.
Missouri	18,312	1,200	Boxes/cartons, data processing, decals, flat goods, footwear, furniture, garments, GIS/CADD, laundry, license plates, mattresses, metal products, print, recycled products, signs, tires, and upholstery.
Montana*	1,303	278	Agricultural commodities, beef cattle, dairy, furniture, laundry, license plates, mattresses, print, refurbishing, signs, and upholstery.
Nebraska	2,792	374	Athletic products, construction, data processing, decals, emergency products, flat goods, furniture, garments, license plates, mattresses, metal products, paint, print, refurbishing, sanitary maintenance, signs, telephone services, upholstery, and vehicle renovation.

State	Inmate Population	Number of Inmate Workers	Industries Products and Services
Nevada	7,350	350	Agricultural commodities, beef cattle, bindery, dairy, electronics, emergency products, flat goods, furniture, license plates, mattresses, metal products, print, refurbishing, sanitary maintenance, upholstery, and vehicle renovation.
New Hampshire	2,050	306	Agricultural commodities, data processing, decals, electronics, furniture, garments, license plates, print, refurbishing, and signs.
New Jersey*	25,060	2,733	Bakery, data processing, decals, flat goods, furniture, garments, janitorial products, license plates, mattresses, metal products, print, recycled products, signs, telephone services, and upholstery.
New Mexico	3,918	442	Agricultural commodities, beef cattle, dairy, data processing, flat goods, footwear, furniture, garments, license plates, mattresses, metal products, micrographics, print, telephone services, and upholstery.
New York*	65,500	2,200	Construction, furniture, garments, license plates, mattresses, metal products, optical, print, signs, telephone services, upholstery, and vehicle renovation.
North Carolina	25,465	2,181	Agricultural commodities, beef cattle, bindery, decals, flat goods, food processing, furniture, garments, license plates, mattresses, metal products, paint, poultry, print, signs, and upholstery.
North Dakota	677	100	Furniture, license plates, metal products, refurbishing, signs, telephone services, and upholstery.

State	Inmate Population	Number of Inmate Workers	Industries Products and Services
Ohio	41,000	3,000	Bindery, boxes/cartons, data processing, dental, flat goods, footwear, furniture, garments, janitorial supplies, license plates, mattresses, metal products, print, sanitary maintenance, signs, upholstery, and vehicle renovation.
Oklahoma	11,435	1,000	Architectural/engineering, bindery, boxes/cartons, data processing, decals, electronics, flat goods, footwear, furniture, garments, GIS/CADD, janitorial products, license plates, mattresses, metal products, sanitary maintenance, signs, and upholstery.
Oregon*	7,600	450	Agricultural commodities, dairy, data processing, furniture, garments, GIS/CADD, laundry, mattresses, metal products, telephone services, and upholstery.
Pennsylvania*	31,245	1,968	Agricultural commodities, boxes/cartons, dairy, decals, flat goods, food processing, footwear, furniture, garments, janitorial products, laundry, license plates, lumber, mattresses, metal products, refurbishing, signs, upholstery, and vehicle renovation.
Rhode Island*	3,292	350	Bindery, construction, decals, flat goods, furniture, garments, laundry, license plates, metal products, paint, print, refurbishing, sanitary maintenance, signs, upholstery, and vehicle renovation.
South Carolina	18,000	1,200	Decals, electronics, flat goods, furniture, garments, laundry, license plates, mattresses, metal products, print, recycled products, refurbishing, signs, and upholstery.
South Dakota	1,795	125	Bindery, decals, furniture, garments, license plates, mattresses, metal products, print, refurbishing, signs, and upholstery.

State	Inmate Population	Number of Inmate Workers	Industries Products and Services
Tennessee	13,000	675	Agricultural commodities, beef cattle, beverages, dairy, data processing, decals, flat goods, furniture, garments, license plates, lumber, mattresses, metal products, paint, poultry, print, refurbishing, sanitary maintenance, signs, and upholstery.
Texas	134,000	7,705	Boxes/cartons, data processing, decals, flat goods, footwear, furniture, garments, GIS/CADD, janitorial products, license plates, mattresses, metal products, print, refurbishing, signs, tires, upholstery, and vehicle renovation.
Utah	3,555	634	Agricultural commodities, architectural/engineering, construction, dairy, data processing, decals, food processing, furniture, garments, GIS/CADD, license plates, mattresses, micrographics, print, recycled products, refurbishing, signs, telephone services, and upholstery.
Vermont	1,050	85	Construction, decals, flat goods, furniture, license plates, lumber, metal products, micrographics, print, refurbishing, signs, telephone services, and upholstery.
Virginia*****	24,000	1,250	Data processing, dental, flat goods, footwear, furniture, garments, laundry, license plates, metal products, print, and signs.
Washington	10,430	926	Agricultural commodities, architectural/engineering, bakery, bindery, boxes/cartons, construction, dairy, data processing, decals, flat goods, food processing, furniture, garments, GIS/CADD, laundry, license plates, mattresses, metal products, print, recycled products, refurbishing, signs, telephone signs, and upholstery.
West Virginia	2,396	128	Decals, flat goods, furniture, license plates, mattresses, print, refurbishing, sanitary maintenance, signs, and upholstery.
		Number of	

State	Inmate Population	Inmate Workers	Industries Products and Services
Wisconsin	10,492	500	Agricultural commodities, beef cattle, beverages, dairy, data processing, decals, emergency products, flat goods, furniture, garments, healthcare products, laundry, license plates, mattresses, metal products, print, refurbishing, signs, and upholstery.
Wyoming	1,150	32	Decals, garments, license plates, mattresses, print, and signs.

*****States participating in the 1996 NSAA joint audit.

RESPONSES TO THE AUDIT REPORT

Correctional Industries Association, Inc.

Grant Administrator of the Bureau of Justice Assistance Prison Industry Enhancement Certification Program

May 14, 1997

Mr. Sam Cochran
Acting State Auditor
Oregon Audits Division
255 Capitol Street, NE, Suite 500
Salem, Oregon 97310

Dear Mr. Cochran:

The Correctional Industries Association, Inc., appreciates the opportunity to provide a response to the 1996 National State Auditors Association's (NSAA) Joint Audit on Correctional Industries Report.

The Correctional Industries Association, Inc., (CIA) is a nonprofit professional organization representing more than 2,300 correctional industry practitioners and private entities working in partnership with correctional industries across the United States and abroad. The CIA's Board of Directors is comprised primarily of senior correctional industry administrators who operate a diversity of correctional industry programs throughout the Federal, state and local correctional systems.

Overall, the report provides some useful information about the 13 correctional industry programs that participated in the joint audit. In some instances, the conclusions and recommendations may serve to foster support for obtaining improvements in industries by internal and external entities that have an impact on the success of these programs.

Given that, (a) of the 50 state correctional industry programs, 13 state auditors participated in the joint audit, and (b) of the 11 areas that could have been selected by each auditor for evaluation purposes, not all selected the same areas for measurement, it is therefore difficult to make generalizations about all correctional industries operations.

Correctional industries are diverse and complex. Recognizing this, the NSAA allowed the 13 auditors participating in the audit to select which of the specified

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areas each would review. The reader should not draw conclusions about correctional industries in this country based on a relatively small sample of some elements in program operations. All audit reports conducted in the states are taken seriously and each state strives to implement their auditor's recommendations in light of the findings as realistically as possible.

The Federal Prison Industry Enhancement Certification Program (PIE) was not covered in detail in the report. In addition to the PIE program components listed, there are permissible deductions such as taxes as required under U.S. tax law and room and board that can offset the costs of incarceration.

The CIA is diligent in its efforts to educate the public, policymakers and others about the diverse and complex nature of correctional industry programs. Correctional industries are unlike any other public correctional program in that they operate manufacturing and service industry businesses within a correctional environment. Inherent in this structure is the basis for conflicting goals to exist.

The first goal identified in the NSAA report regarding self-sufficiency and the fourth goal about maximizing the employability of inmates when released juxtaposes a profit motive with a programming goal of training workers for a post-release employer. The report accurately acknowledges the "challenges" of correctional industries. A key point is that clear missions and goals too often are not addressed in Federal and state legislation and correctional agency policy. This creates a difficulty for correctional industry administrators in that there is often little or no coherent base from which to evolve a sound operational plan.

Correctional industries strive to balance goals and priorities in an ever-changing environment, influenced by both internal and external forces. Changes in political appointments, public policy, sentiment and the classification of offenders, can instantly turn a proactive business plan into a reactive, crisis-driven and potentially deficient plan. Ultimately, industries are charged with making a profit to be self-sufficient, training inmates for post-release employment success, not unfairly competing with the private sector for markets (markets which could mean more offender jobs), and providing as many inmate jobs as there are inmates available to work.

Again, our thanks to you and your NSAA colleagues for inviting us to comment on your joint audit report on correctional industries.

Sincerely,

Gwyn Smith Ingley
Executive Director

Association of State Correctional Administrators

May 22, 1997

Sam Cochran, Acting State Auditor
Secretary of State's Office, Audit Division
255 Capitol Street NE, Suite 500
Salem, Oregon 97310

Dear Mr. Cochran:

Thank you for the draft copy of the 1996 National State Audit Association's Joint Audit on corrections industries programs and the opportunity to comment on the draft.

After reviewing the document, we would recommend that the Director of each state Department of Corrections involved in the audit project be asked to comment on the document, and that their responses be included as part of the final report.

In addition, it would be helpful if the document included an overview of how the audits were conducted, when they occurred, and by whom they were conducted. *

Thank you again for the opportunity to comment, and we look forward to receiving a final report.

Sincerely,

George M. Camp
Executive Director

cc: Harold Clarke, President
Tom Maddock, California
Stan Taylor, Delaware
Harry Singletary, Florida
Odie Washington, Illinois
Richard Stalder, Louisiana
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NSAA Comment: Draft reports of each state's corrections industries report were provided to the director of each state's corrections department. In addition, we provided copies of the NSAA joint audit report to these agencies. The scope and methodology of each state's report and the NSAA joint audit report provide the overview requested.