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INMATE ABILITY TO PAY OFF RESTITUTION IMPACTED BY CANTEEN PRICE SETTING ISSUES

DENVER—the Colorado Office of the State Auditor has released a performance audit of the Inmate Canteen and Banking Programs at the Department of Corrections (Department). Auditors found that the Department lacks controls and policies over purchasing and pricing of items in the Canteen which may lead to inmates being overcharged, resulting in the inability to make additional debt payments or save, and conversely, could lead to Canteen revenue being insufficient to cover costs in future years. The audit was conducted under contract by Sjoberg Evashenk Consulting Inc.

Under statute, the Canteen must generate sufficient revenue to fund all of its operating expenses and produce a reasonable profit. Over Fiscal Years 2015 through 2017, inmates spent \$53 million purchasing over 40 million units of 1,400 unique items from the Canteen. The audit found that the Canteen has generated enough revenue to cover its costs and has produced profits that are used to provide educational, recreational, and social benefits to inmates.

However, auditors found that the Department does not have a markup policy, as required by regulation. For 6 of the 9 categories of items sold, the markup ranged from 18 to 43 percent, while in the medical category, items appear to have ranged from 49 percent below cost, to 79 percent above. Additionally,

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the Department does not retain cost data for some items or set profitability targets for the Canteen.

Further, auditors found that the Department does not use a consistent process for selecting vendors and kept no records to show consideration of product price and other factors as required by regulation. In addition, the Department excludes Canteen purchases from the Colorado Procurement Code, but has not followed statute by substantiating its decision for doing so.

In Fiscal Year 2017 the Department spent \$1.4 million of profits for inmate benefit programs, down from \$2.6 million in Fiscal Year 2015, increased General Fund spending for the programs from \$18.8 million to \$22.6 million over the same period, and grew the balance in the Canteen account to about \$8.4 million as of June 30, 2017, more than twice the balance as of June 30, 2012. The Department reported it does not have a plan for using the balance in the Canteen Account.

The audit makes three recommendations.

The full report is available @ www.colorado.gov/auditor.

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.