

REPORT HIGHLIGHTS



COLORADO CORRECTIONAL INDUSTRIES PERFORMANCE AUDIT, JANUARY 2015

DEPARTMENT OF CORRECTIONS

CONCERN

Colorado Correctional Industries (CCI) has earned little or no profits from its industries operations in recent years, needs to improve its controls to ensure that it is financially independent from the Department of Corrections (Department), and could improve the information it collects to monitor its operations and measure performance.

KEY FACTS AND FINDINGS

- Although statute requires CCI to operate in a profit-oriented manner, CCI's industries operations earned profit margins on average of less than 1 percent from Fiscal Years 2009 through 2014 and do not reimburse the General Fund for the cost of inmates' incarceration. In addition, CCI lacks long-term profit goals and adequate processes to achieve and improve profitability.
- The Department and CCI need to improve controls to ensure that CCI is only funded through its business revenue as required by statute. For Fiscal Years 2009 through 2014 CCI received funding totaling about \$12 million from the Department through training agreements without clear evidence that CCI was providing a service to the Department. As a result, it is unclear that this funding is legitimate business revenue for CCI.
- CCI did not report some information required by statute and its own policies to stakeholders. For example, written business proposals provided to the Correctional Industries Advisory Committee did not address the businesses' potential impact on the private sector and annual reports and budget requests lacked required information, such as projections on the number of inmates employed and production and sales estimates.
- During Fiscal Year 2014 the Department sold about \$283,000 in goods and services to the general public through inmate vocational training programs without statutory authority.
- Contrary to statute and Department regulations, CCI's charges to inmates and their families for phone service were about \$1.5 million higher than necessary to cover the costs for providing the service during Fiscal Year 2014.
- Since Fiscal Year 1982, CCI has not provided the Department with laundry, food, facilities maintenance, and vehicle maintenance services as required by statute.

BACKGROUND

- CCI's statutory purpose is to provide offenders with employment and training, and operate on a financially profitable basis to reimburse the General Fund.
- CCI employs about 1,600 inmates and operates 37 industries shops at state correctional facilities.
- During Fiscal Year 2014 CCI had earned revenues of \$47 million from its industries shops and about \$17.4 million from its canteen.
- State agencies are required to purchase certain goods and services from CCI, such as furniture, license plates, and road signs.
- CCI is authorized to sell goods and services to the general public and enter into partnerships with private entities, but must follow statutes intended to prevent unfair competition with private businesses.

KEY RECOMMENDATIONS

CCI and the Department should:

- Set long term profitability goals and strategies, develop metrics for evaluating the financial and non-financial benefits provided by shops, and follow policies requiring corrective plans for unprofitable shops.
- Improve controls to ensure that CCI operates on a self-supporting basis.
- Report all required information to stakeholders and provide the Advisory Committee with regular updates on approved businesses.
- Evaluate transferring responsibility for laundry, food, and maintenance from the Department to CCI and seek statutory change as deemed necessary.

CCI and the Department generally agreed with these recommendations.