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Contact: Greg Fugate, (303) 869-2839
greg.fugate@state.co.us

PROFITABILITY CONCERNS IDENTIFIED AT COLORADO CORRECTIONAL INDUSTRIES

DENVER—The Colorado Office of the State Auditor (OSA) has found that Colorado Correctional Industries (CCI) has earned little or no profits collectively from its industries operations in recent years and needs to improve monitoring and management of its operations to ensure that it is financially self-supporting and independent from the Department of Corrections (Department), as intended by state statute. The audit also found that CCI's profit margin on phone services far exceeds requirements that charges for inmates' phone calls, which are largely paid for by inmates' families and friends, should only cover the costs of the service.

CCI's statutory purpose is to provide offenders with employment and training, and operate on a financially profitable basis to partially reimburse the State General Fund for the cost of inmates' incarceration. CCI employs about 1,600 inmates and operates 37 industries shops at correctional facilities throughout the state. CCI industries shops range in function from manufacturing license plates and office furniture, to dairy production, to canine training.

The audit found that CCI's industries operations overall earned a profit margin averaging less than 1 percent from Fiscal Years 2009 through 2014 and did not reimburse any funds to the State General Fund. Individual industries shops experienced widely varying financial results, ranging from a profit of almost \$1million in one shop to a loss of about \$800,000 in another shop in Fiscal Year 2014. Additionally, 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. CCI also has not provided the Department with laundry, food, facilities maintenance, and vehicle maintenance services since Fiscal Year 1982, although it is required to do so by state statute.

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Regarding Colorado's inmate phone system rates, the audit found that rates are generating revenues that are much higher than the actual cost of providing the phone service and, therefore, produce profits in excess of statutory intent and Department regulations. During Fiscal Year 2014, CCI generated a 58 percent profit margin on inmate phone services.

The OSA has made eight recommendations to CCI and the Department. A copy of the audit report is available electronically on the OSA's website, <http://www.state.co.us/auditor>, via the link called "OSA Audit Reports."

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.