



DARYL G. PURPERA,
CPA, CFE

Report Highlights

Prison Enterprises - Evaluation of Operations

Department of Public Safety and Corrections

Audit Control # 40170017
Performance Audit Services • May 2019

Why We Conducted This Audit

We evaluated Prison Enterprises' (PE) overall operations, including whether it met its statutory purposes. PE is an ancillary agency within the Department of Public Safety and Corrections. We conducted this audit because of legislative interest, and because we have not conducted a performance audit of PE since 1997. During fiscal year 2018, PE operated 27 different operations within manufacturing, wholesale, service, and agricultural industries at seven of the state's eight correctional facilities and one privately-run correctional center. In fiscal year 2018, PE's total revenues for all industries were approximately \$27.9 million, and total expenditures were approximately \$28.0 million.

What We Found

Overall, we found that PE met its three statutory purposes; however, we found areas where it could strengthen its operations. Many of the issues identified are the same or similar to the ones cited in our 1997 performance audit of PE. We identified the following:

- **PE met its first statutory purpose of reducing the cost of incarceration by paying \$3.8 million in offender wages from fiscal year 2016 through 2018, but could better demonstrate how it lowered other incarceration costs.** For example, PE sold \$17 million in products and services to the Department of Corrections (DOC) in fiscal year 2017 but needs to work with DOC to demonstrate whether these sales reduced costs for correctional facilities.
- **PE met its second statutory purpose of providing products and services to state and local agencies. From fiscal years 2016 to 2018, 22.7% of its total sales were to state agencies other than DOC.** However, sales to state agencies may have been higher if a mechanism existed to ensure that state agencies comply with the law that requires them to purchase products and services from PE if the prices are less than those of the Office of State Procurement.
- **PE met its third statutory purpose of providing work opportunities for offenders. However, this statutory purpose does not align with other states and best practices that recommend correctional industries teach transferable job skills to help offenders get jobs after release. Currently, 39.2% of offenders in PE are serving life sentences, and 32.5% of PE offenders are working in fields that the Louisiana Workforce Commission has projected to have a decrease in future employment.** In addition, PE no longer participates in the Prison Industries Enhancement program that includes partnerships with businesses to provide offenders with work opportunities that are relevant to the job market and pay higher wages.

Continued on next page

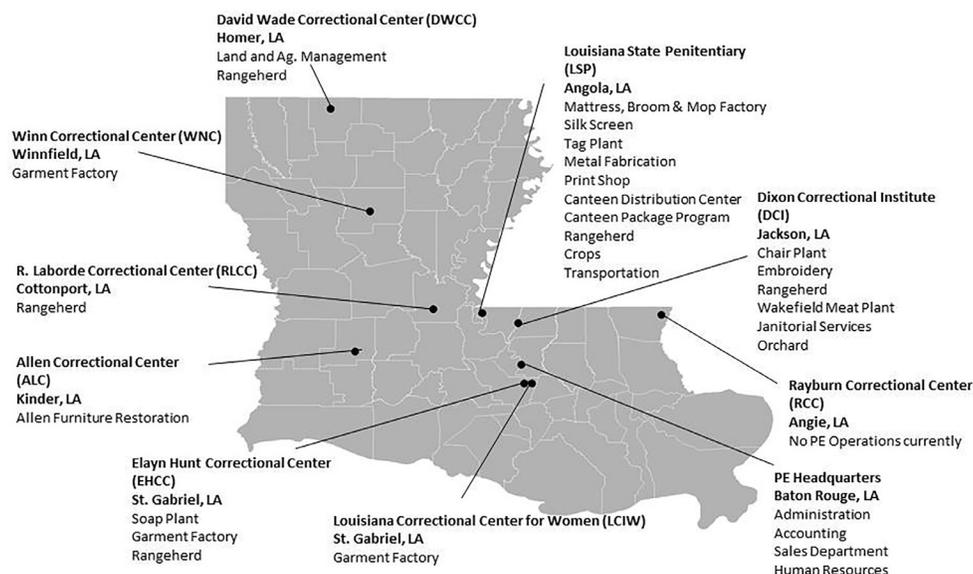
Prison Enterprises- Evaluation of Operations

Department of Public Safety and Corrections

What We Found (Cont.)

- During fiscal years 1996 through 2018, PE's expenses exceeded its revenues, and PE used more cash than it generated in 11 (47.8%) of the last 23 years. In addition, operations, such as silk screen, printing, and corn and cotton production were not profitable at all during fiscal years 2016 through 2018. Because best practices recommend that correctional industries be financially sustainable and maintain positive cash flow in order to ensure long-term viability, PE should document its evaluation of the profitability of each operation and limit non-essential expenditures that affect its financial sustainability.
- PE did not comply with its pricing policy for some manufactured items during fiscal years 2016 through 2018. As a result, PE overcharged customers by at least \$55,306 and undercharged customers by at least \$81,947 for items whose prices should have been fixed based on PE's statewide contract. In addition, unlike other states, both PE and DOC markup wholesale prices for canteen items, such as candy bars, which may result in offenders paying higher prices for these items.
- PE has not developed a comprehensive marketing plan that describes how it will promote its products and services, as recommended by best practices. In addition, PE does not have a process for tracking whether the approximately \$117,000 spent on marketing efforts during fiscal years 2016 through 2018 generated a financial benefit, such as increased sales, that is proportionate to the costs, as required by policy.
- PE has not ensured that all complaints are logged and resolved timely and has not developed an effective process to ensure that orders are delivered on time. According to best practices, good customer service is important because it directly impacts sales; however, the number of PE complaints increased by 121.2% between fiscal years 2016 and 2018, and late deliveries increased from 30.7% to 40.3%.

Prison Enterprises' Operations, as of June 2018



Source: Prepared by legislative auditor's staff using information provided by PE.