
REPORT DIGEST

DEPARTMENT OF CORRECTIONS - CORRECTIONAL INDUSTRIES

FINANCIAL AUDIT

For the One Year Ended:
June 30, 1996

and

COMPLIANCE AUDIT

For the Two Years Ended:
June 30, 1996

Summary of Findings:

Total this audit	5
Total last audit	3
Repeated from last audit	1

Release Date:



State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- ◆ The Department has not measured the benefits of the Correctional Industries program in terms of providing inmates with marketable skills and work habits.
- ◆ Management did not provide relevant performance measures, such as recidivism rates and job placement rates, for former inmates who had worked in Correctional Industries prior to release, even though statute had required the Department to report such information annually since 1981.
- ◆ Improvements were needed both in strategic planning and marketing, as illustrated by recurring losses in several industries.

{Expenditures and Activity Measures are summarized on the next page.}

CORRECTIONAL INDUSTRIES
FINANCIAL AND COMPLIANCE AUDIT
For the Period Ended June 30, 1996

WORKING CAPITAL REVOLVING FUND			
OPERATING STATISTICS	FY 1996	FY 1995	FY 1994
! Net Sales	\$40,748,324	\$40,148,388	\$36,077,888
! Cost of Sales	<u>36,829,830</u>	<u>36,239,926</u>	<u>32,109,947</u>
! Gross Profit (Loss).....	\$3,918,494	\$3,908,462	\$3,967,941
Selling, General and Administrative Expenditures.....	<u>4,817,543</u>	<u>4,459,178</u>	<u>5,243,001</u>
Operating Loss.....	\$(899,049)	\$(550,716)	\$(1,275,060)
Other, Net	<u>4,267</u>	<u>16,318</u>	<u>(14,446)</u>
! Net Profit (Loss)	\$(894,782)	\$(534,398)	\$(1,289,506)
Beginning Retained Earnings.....	* <u>15,021,210</u>	<u>15,668,610</u>	<u>16,958,116</u>
! Ending Retained Earnings	<u>\$14,126,428</u>	<u>\$15,134,212</u>	<u>\$15,668,610</u>
* As restated			
KEY BALANCE SHEET ACCOUNTS, AS OF JUNE 30,	1996	1995	1994
Accounts Receivable	\$6,527,297	\$7,077,526	\$6,771,143
Inventories	\$10,969,827	\$10,489,815	\$9,800,078
Property, Equipment and Livestock, Net of Depreciation	\$8,829,080	\$8,428,802	\$8,564,276

CORRECTIONAL INDUSTRIES' CHIEF ADMINISTRATIVE OFFICER
During Audit Period: Ronald L. Parish Currently: Ronald L. Parish

INTRODUCTION

Correctional Industries, a component of the adult division of the Illinois Department of Corrections, operates manufacturing, service, and agricultural industries within the adult correctional centers. Its purpose is to provide committed persons with marketable skills, to promote habits of work and responsibility, and to contribute towards the expense of the employment program and the costs of incarceration. Its mission is to duplicate a free world work environment to the greatest extent possible.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INSUFFICIENT MONITORING OF CORRECTIONAL INDUSTRIES' PROGRAM PERFORMANCE

The Department had not measured the benefits of the Correctional Industries program in terms of providing inmates with marketable skills and work habits. Management could not provide relevant performance measurements, such as recidivism rates and job placement rates, for former inmates who had worked prior to release, even though statute had required the Department to report such information annually since 1981 (730 ILCS 5/3-12-11j). (Finding 1, page 11)

Department officials accepted our recommendation to develop and implement statutorily-required performance measures and other measures as necessary to assess the performance of the Department's employment programs.

LACK OF FORMAL STRATEGIC PLAN FOR THE CORRECTIONAL INDUSTRIES PROGRAM

Correctional Industries lacked a formal strategic plan. The Department had no formal policies or procedures regarding strategic planning for the program. According to officials, the planning process was conducted informally by management and division heads each year.

Many industries operated by Correctional Industries consistently experienced financial losses. Out of 58 industries, 49 had cumulative net losses between fiscal years 1992 and 1996. We also identified 14 industries that lost money during each of these five years. These 14 industries lost a total of nearly \$8.6 million during the five-year period.

Management had not measured the work-related benefits of the Correctional Industries program, nor could it provide recidivism rates or job placement rates for former inmate workers

Officials stated that strategic planning was conducted informally

Fourteen industries lost a total of nearly \$8.6 million between fiscal years 1992 and 1996

