



DEPARTMENT OF CORRECTIONS
OKLAHOMA CORRECTIONAL INDUSTRIES
AND AGRICULTURAL SERVICES

Performance Audit

For the period of July 1, 2014 through December 31, 2016

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Department of Corrections:
Oklahoma Correctional Industries and Agricultural Services**

**For the Period
July 1, 2014 through December 31, 2016**

February 11, 2019

TO THE OKLAHOMA DEPARTMENT OF CORRECTIONS:

This is the audit report of the Oklahoma Correctional Industries and Agri-Services divisions of the Oklahoma Department of Corrections for the period July 1, 2014, through December 31, 2016. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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Engagement Background

This audit was performed at the request of the director of the Oklahoma Department of Corrections (DOC), who noted in his request letter that his goal was “to establish a baseline to work from for improving the soundness in fiscal operations and efficiencies related to administrative/operational practices at OCI.” Discussions with the DOC director, as well as the directors of Oklahoma Correctional Industries (OCI) and Agri-Services programs, led us to understand that prior to these individuals being in charge close to the end of our audit period, internal controls over financial processes within the programs may have been lacking, and financial staff from the period was no longer with the agency. Both levels of management were looking to improve operations and transparency going forward.

Program Background

OCI and Agri-Services both operate under the statutory authority codified for DOC’s correctional industries and agricultural operations in the Oklahoma Corrections Act, 57 O.S. § 549.1.

OCI: Oklahoma Correctional Industries is a division of DOC that utilizes offender labor, along with salaried supervisors and administrative staff, to provide various products and services to qualified customers throughout the state of Oklahoma. The program is self-sufficient and considers itself to function more like a private business conglomerate within the framework of state government. OCI includes 37 operations located within eleven state correctional facility locations, employs approximately 72 salaried personnel and an average of 1,300 offender personnel, and produces over 5,000 products ranging from furniture to various steel products used in a correctional setting.

OCI’s stated mission includes:

- Helping the offender worker to learn the work ethics needed to function in a productive career by providing meaningful employment during their period of incarceration.
- Oklahoma made products and services built with pride, confidence, and know-how that Oklahoma workers are famous for providing.
- Providing the offender worker a useful skill with the hope that it will be utilized after the term of incarceration has been completed.
- Economically, conserving taxpayers’ money by providing quality products and services to eligible customers at competitive market prices.

Agri-Services: The Agri-Services division also enables inmates to learn job skills and work ethics they can benefit from upon release. On average, 275 inmates work at the program’s eleven farms, meat processing center, food processing plant, and food warehouses. Collectively, the farm operations encompass approximately 20,249 acres where cattle production, farm management, and land management skills are taught.

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Currently, Agri-Services maintains an average of 2,000 head of cow/calf pairs, along with an average of 90 bulls, for beef production and 475 head of dairy cattle for milk production; and produces grass hay, alfalfa hay, and other small grains to supplement the winter feeding of cattle. In addition, Agri-Services harvests pecans, firewood, and various varieties of fresh vegetables and fruits for inmate consumption. The meat processing center and food processing plant produce food for inmate consumption as well. Agri-Services also purchases bulk food items utilizing their Opportunity Buy Program.

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Scope and Methodology

Our audit was conducted in response to 74 O.S. § 213.2b, which authorizes the State Auditor and Inspector's office to audit the books and accounts of an agency at the written request of the chief executive officer of a governmental entity.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

In planning and conducting our audit, we focused on several major financial-related areas of operations based on assessment of materiality and risk for the period July 1, 2014 through December 31, 2016. Our objectives were also based on the DOC director's request, noted in the Background section, and discussions with the OCI and Agri-Services program directors. While it was clear from initial discussions that documenting detailed internal control processes would be difficult due to the departure of audit period finance staff and limited documentation from the period, Objective I was included to assist in providing the "baseline" and recommendations for continued improvement management requested. Best practices have also been incorporated where helpful to aid in this goal.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of OCI and Agri-Services operations. In addition to methodology documented throughout the report, we had many broad discussions with management as well as various levels of operations and finance staff, and visited the central business office as well as several on-site operations including multiple OCI production facilities, partnership locations, and Agri-Services food production and processing operations. Throughout our procedures, the program directors and their operations and administrative staff were responsive and accommodating, and displayed admirable expertise and devotion to the success and mission of their respective programs.

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OBJECTIVE I Determine whether the OCI and Agri-Services internal controls provide reasonable assurance that revenues, expenditures, and OCI production inventory were accurately reported in the accounting records.

Conclusion The Agency’s internal controls do not provide reasonable assurance that revenues, expenditures, and OCI production inventory were accurately reported in the accounting records. As discussed earlier, current management was aware of weaknesses in the audit period processes and requested our assessment and recommendations for potential improvements going forward.

Objective Methodology To accomplish our objective, we performed the following:

- Identified significant internal controls related to revenues, miscellaneous expenditures including inmate payroll, and OCI production inventory; see results that follow.
- Discussed audit period process concerns, as well as changes made after that period, with management and operations and business office finance staff.
- Observed and reviewed various relevant reports and related documentation from the audit period when available, and after the audit period, to inform our recommendations.
- Reviewed standards and best practices, as well as relevant state statutes, to assess these processes and make recommendations for improvement.

FINDINGS AND RECOMMENDATIONS

Continue Refining Financial Controls, Documentation, and Policies Management and finance personnel turnover during the audit period resulted in a lack of complete and reliable documentation of financial processes. Therefore, we were unable to gain an understanding of audit period OCI and Agri-Services internal controls over financial processes including receipting, miscellaneous expenditures, inmate payroll expenditures, and production inventory accounting, as well as key facets of these processes such as price setting practices and OCI’s production work-in-process tracking.

Because current management had been unable to ascertain the full details of previous staff’s processes, they questioned some of those processes and their validity. For example, there was inadequate reconciliation of

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internal financial records in the SYSPRO and Offender Banking Systems¹ to DOC and statewide accounting system reports.

Although annual inventory counts are reportedly conducted, reconciled to internal records, and approved by management, the OCI director and finance staff communicated concerns that audit period production inventory tracking was not accurate or reliable. However, the director related that since the close of the audit period, OCI has evolved its production inventory tracking methods, and is implementing time and material studies in order gain a more accurate picture of time spent and cost for each item manufactured.

These weaknesses in internal control and documentation increase the risks that receipts may have been incomplete, unauthorized expenditures could have occurred, misappropriations or errors may have gone undetected, and accounting records could be misstated. As discussed previously, current management's concerns were focused on ensuring that proper financial controls were in place moving forward and seeking additional guidance from our office. Some post-audit period changes have been considered in formulating our recommendations.

Criteria

The following aided in guiding our assessments and conclusion.

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version)² states, "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly maintained." The Standards also explain, "Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event."

Additionally, GAO Standards Principle 3 – *Establish Structure, Responsibility, and Authority* explains that: "Effective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides means to retain organizational knowledge and mitigate the risk of having that knowledge

¹ SYSPRO is the internal financial and inventory recordkeeping system used by OCI, while the Offender Banking System is set up and maintained by DOC for inmate payroll purposes.

² Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

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limited to a few personnel, as well as means to communicate that knowledge as needed to external parties, such as external knowledge.”

Regarding inventory, the Standards state, “Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.” In the case of an entity such as OCI, a key aspect of inventory tracking is accurate and timely tracking of raw materials through the production stages of work in process (WIP) to final products. Proper accounting for WIP inventory is important for inventory valuation purposes, as well as general product costing and pricing.

Recommendations

Policies & Procedures

Business office staff explained they have begun forming written procedures for financial processes previously undocumented. Policy and procedures should be developed and maintained for all financial processes, not only to document historical practices and inform new staff, but to guide decision-making. For example, policy could clearly define what products are considered part of WIP inventory and for how long, and how production inventory is to be counted and valued.

Internal Control Activities

We recommend administrative management assess the internal controls over financial processes to ensure there are effective steps in place to prevent or detect errors and misappropriation.

- **Revenues:** In general, there should be a process in place that allows management to verify that all revenues due to the agency were received and deposited. This may involve segregating duties such as physically receiving revenue, receipting revenue in internal records, and making deposits (or providing deposits to DOC). If adequate segregation of duties cannot be achieved to detect or prevent revenue misappropriation, independent reconciliation of internal records reflecting activity to deposit records could mitigate the related risk. Statutory requirements regarding the timeliness of collections should be considered and are discussed in the finding beginning on page 9.
- **Expenditures:** In addition to properly approving purchase orders and invoices before the expenditure occurs, an independent review of line-item detailed expenditures *after* payment is one effective way to ensure payments have not occurred that were unauthorized or erroneous. Such a review could be delegated to

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other independent, knowledgeable parties, for example across divisions or locations, or performed on a random basis.

- **Inmate payroll:** In addition to review and approval of inmate time on site, central reconciliations should be performed, or reviewed in detail, by a party independent of the financial transactions reflected in the reconciliation. For example, a party independent of entering inmate payments into the Offender Banking System should take responsibility for either reconciling those payments to supporting OCI/ Agri-Services and statewide accounting system records, or provide a detailed review of such reconciliation. This would help ensure the business office personnel responsible for making the payments cannot make an unauthorized or erroneous payment.
- **Inventory:** Parties independent of receiving and maintaining inventory records should continue to perform regular inventory counts, and management should review to ensure additions, deletions, and any other adjustments are appropriate. Internal financial records should be reconciled to the annual inventory count to ensure completeness and accuracy. OCI management should continue developing documented policy and procedures to guide accounting for work-in-process inventory.

Documentation

Key documentation of significant financial transactions, reviews, and approvals should be retained. This includes such procedures as receipts and invoice follow-up, payments, transfers, physical inventory counts, reconciliations, and reviews and approvals provided for such transactions and events.

Reconciliations

Management should ensure regular, documented reconciliations are performed as necessary between the internal SYSPRO and QuickBooks systems now in place and statewide accounting system records generally entered by DOC personnel. Additional recommendations for reconciliations regarding specific processes are incorporated above.

Views of Responsible Officials

We concur with the recommendation.

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Formalize Price Setting Policy and Practices

As noted briefly in the previous section, price-setting policies and procedures were not available for the audit period. Without a clear and concise price setting policy and process, prices of products could be too high or too low compared with cost and fair market value. 57 O.S. § 549.1.G states in part, “Products shall be provided as a fair market price for comparable quality.”

Recommendation

We recommend management establish a formal pricing policy that addresses comparing prices for new and existing products to ensure the prices are at a fair market value as stated in 57 O.S. § 549.1.G. The policy should be reviewed periodically by management to ensure pricing is accurate. Related reporting requirements are also discussed in the finding beginning on page 9.

Views of Responsible Officials

We concur with the recommendation.

Best Practices: Pricing

In its September 2005 performance audit of *Pennsylvania Correctional Industries of the Department of Corrections*, the Pennsylvania Department of the Auditor General found the state’s correctional industries (PCI) went beyond their goal of self-sufficiency to overcharge for their products and services, as compared to benchmarks set by comparable state correctional industries as well as private industry. According to the auditors, this cost the taxpayers money, made it difficult to evaluate the real costs of the program, and ran counter to PCI’s mission. They recommended PCI price its goods and services according to actual costs and add a reasonable mark-up only when profits would be used for program improvements, and employ benchmarking techniques to compare their prices to similar products from other correctional industries and private producers.

These factors could be helpful in the development of pricing policies, and benchmarking in general could be a beneficial process for OCI and Agri-Services to use in tracking their own pricing over time as well as ensuring they meet their mission of providing competitively priced items and saving money within the Department of Corrections.

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The Office of the Washington State Auditor concluded a performance audit in May 2017 titled *Correctional Industries: Planning, pricing and*

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market share. The audit reports that Washington’s Correctional Industries (CI) program has experienced challenges related to a lack of formal planning tools and related policies, and the absence of a written pricing policy, which would help maintain competitive pricing while allowing it to reinvest in its industries. This would include developing a documented process for comparing new and existing prices to ensure they are competitive or otherwise appropriate; approving prices to ensure they are set in accordance with policy; and reviewing prices at specified intervals, with formalized roles and responsibilities for reviewers.

Such policies and reviews could help ensure that prices are appropriate and consistent, and that OCI and Agri-Services practices are in line with applicable laws and regulations.

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Washington state auditors also recommended CI improve its efforts to obtain customer feedback on prices and products through surveys and analyze feedback to determine whether customer needs are being adequately met. Seeking additional customer feedback could be beneficial in ensuring OCI and Agri-Services customer needs are being met, products being produced are backed by demand, and product quality is being properly balanced with cost and customer price.

OBJECTIVE II

Determine whether OCI and Agri-Services activities are in line with their missions and statutory authority.

Conclusion

OCI and Agri-Services activities are generally in line with their respective missions and statutory authority. However, the programs are not fulfilling certain statutory responsibilities as outlined in 57 O.S. § 541.

Objective Methodology

To accomplish our objective, we performed the following:

- Developed an understanding of the operations of OCI and Agri-Services as otherwise outlined throughout this report;
- Reviewed the programs’ respective histories and missions;
- Reviewed state statutes as applicable to the mission and authority of each program;
- Discussed with agency directors and personnel as necessary to determine the extent of OCI and Agri-Services compliance with 57 O.S. § 541 and § 549.1;
- Reviewed relevant standards and best practices to develop recommendations for improvement.

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FINDINGS AND RECOMMENDATIONS

Additional Policy Development and Reporting Needed to Comply with 57 O.S. § 541

Oklahoma State Statute Title 57, section 541 includes the following requirements:

- “The Administrator of Industrial Production will determine the prices of all goods produced through the state prison industries, and the Administrator of Agri-Services will determine the prices of all goods produced by Agri-Services units. These prices will be filed with the Budget Office.”
- “When industrial or agricultural items or products are furnished to the institutions of the Department, or sold to other governmental agencies, payment therefore shall be made within 30 days for deposit in the revolving account to be used in purchasing expendable items, raw materials or other items needed to produce additional such products or items, and for such other purposes as are authorized by law.”
- “The Department of Corrections is authorized to pay inmates for productive work in accordance with policies set by the State Board of Corrections. The State Board of Corrections shall certify the positions to be paid and the rate of pay in accordance with the responsibilities and skills required for the position. The Department of Corrections shall develop policies for payment of inmates in the Industries Program that promote productivity as well as compensate for responsibilities and skills. The Department shall file such policy statements with the Chairs of the appropriate committees of both the Senate and the House of Representatives as designated by the President Pro Tempore of the Senate and the Speaker of the House of Representatives.”

Furthermore, the GAO Standards state that internal controls should provide reasonable assurance that the objectives of the agency are being achieved in categories including compliance with applicable laws and regulations.

Based on conversations with the OCI director and DOC legal counsel, the prices of goods produced have not been filed with the Budget Office, management has not ensured payments for industrial or agricultural items or products that are furnished to the institutions of the Department or sold to other state governmental agencies have been made within 30 days, and policy statements regarding inmate pay have not been filed with the chairs of the appropriate committees of both the Senate and the House of Representatives. The agency is therefore not fully complying with state statute.

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Recommendation

We recommend management develop the necessary procedures to comply with 57 O.S. § 541, including filing prices of goods produced with the Budget Office and developing and filing policy statements regarding inmate pay with the appropriate legislative committee chairs. Management should perform these actions as often as required by statute and maintain the related records as well as documentation of any pertinent reviews, approvals, and transmission correspondence.

Furthermore, in concert with any improvements to its overall revenue control process, management should develop and implement procedures for ensuring payments for industrial or agricultural items have been received within 30 days.

Views of Responsible Officials

We concur with the recommendation.

Best Practices: Inmate Pay

The Colorado Office of the State Auditor completed its *Department of Corrections: Colorado Correctional Industries* performance audit in January 2015. In it, auditors reviewed and analyzed the agency's inmate pay structure, which includes a combination of base pay and incentive pay. The aim of this structure is to incentivize maximum production, while not paying more than necessary. Auditors recommended the department:

- ensure its pay plan is uniform and equitable by ensuring its information system captures detailed data and averages of inmate pay, and
- implement a policy and regular process for monitoring the average wages paid in each shop to ensure that actual wages are cost-effective and provide appropriate incentives to promote efficient production and inmate proficiency.

Program and DOC management could benefit from considering this general guidance as they develop their inmate pay policy for submission per statute.

Best Practices: Mission & Performance Measures

Washington state auditors recommended in their May 2017 report that the state's correctional industries establish performance measures to assess how well the program is meeting its mission, and that it

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develop, track, and publish industry-specific performance measures, such as inmate post-release employment outcomes and profitability.

It could be helpful for OCI and Agri-Services to develop and track performance measures to assist in ensuring they are meeting their own missions and internal goals. For example, management emphasized their efforts and success in providing inmates benefits like job training, including hard skills as well as soft skills, such as work ethic improvement and résumé building. Analysis of appropriate measures could help ensure these benefits are being conferred to the maximum effective number of inmates.

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In its *Performance Audit of Pennsylvania Correctional Industries of the Department of Corrections* noted earlier, the Pennsylvania Department of the Auditor General found PCI did not maximize inmate employment; even though inmate population grew over the approximately five years analyzed, inmate employment decreased. While PCI satisfied some aspects of its mission, such as reducing inmate idleness and providing vocational training and work experience, it did not satisfy several of its other strategic plans. They failed to hire primarily inmates who would eventually be released, did not provide job placement opportunities or training that aligned with jobs available in private industry, and could not show that they had reduced recidivism. To combat these weaknesses, auditors recommended the following:

- Hire inmates according to a documented percentage goal based on the mission of the program, in coordination with the other areas of the Department of Corrections.
- Establish, apply, and document inmate selection criteria to ensure inmates with shorter-term release dates are given hiring priority, in accordance with aspects of the mission.
- Develop a means to provide and document job placement assistance and post-release employment monitoring for inmate participants so the outcome of the program, including recidivism, can be measured.
- Use labor market studies to identify the industries, jobs, and job skills that are in demand and then factor this information into developing industries and jobs responsive to this demand.

These recommendations could be useful for OCI and Agri-Services as they develop and track performance measures.

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OBJECTIVE III Determine whether appropriate oversight is in place to govern the OCI and Agri-Services programs.

Conclusion Board of Corrections oversight of the OCI and Agri-Services programs could be improved.

**Objective
Methodology**

To accomplish our objective, we performed the following:

- Discussed with program management and staff, and reviewed board meeting minutes and related packets, internal and external audit reports and support, state statutes, and other related documentation, to obtain an understanding of oversight in place to the OCI and Agri-Services programs from parties including:
 - The Board of Corrections
 - The Department of Corrections internal audit division
 - National Correctional Industries Association
 - DOC central finance and administration
- Reviewed relevant standards and best practices to assess oversight in place and develop recommendations.

FINDINGS AND RECOMMENDATIONS

**Continued
Improvement
of Oversight
for OCI and
Agri-Services
Programs
Needed**

In October 2014, a member of the Board of Corrections requested that more information regarding OCI and Agri-Services be presented to the Board, and the Board of Corrections approved this change. In December 2014, the audit period business manager for OCI and Agri-Services began presenting general information to the Board of Corrections on approximately a quarterly basis. This information included various revenue and expense reports, cost of goods sold, asset reports, and fund balances, each presented separately for OCI and Agri-Services.

As noted previously, we were unable to ascertain certain details of key financial and review processes during that period, and were informed that reconciliations at the time were not completed in a timely manner and records may not have been reliable. It is therefore possible that financial information presented to the Board may not have been completely reliable. OCI and Agri-Services also received some oversight from DOC's internal audit function and federal entities, but these do not address overall operations or serve as a substitute for Board oversight.

During the last six months of the audit period and beyond, OCI and Agri-Services have continued to provide a variety of financial information to the Board. The directors of these programs now present the quarterly updates.

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Without quality reliable information, the Board cannot provide effective oversight of program activity and the related internal controls in place. Further, without that oversight, the programs could operate out of accordance with guidelines and intentions set by the board.

The GAO Standards state, "Senior management may distinguish itself from the divisional or functional management through the establishment of an oversight body. An oversight body oversees the entity's operations; provides constructive criticism to management; and where appropriate, makes oversight decisions so that the entity achieves its objective in alignment with the entity's integrity and ethical values." Additionally, the GAO Standards prescribe the following related to effective oversight of an entity:

- Management should internally communicate the necessary quality information to achieve the entity's objectives.
- Management communicates quality information throughout the entity using established reporting lines. Quality information is communicated down, across, up, and around reporting lines to all levels of the entity.
- Management communicates quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. In these communications, management assigns the internal control responsibilities for key roles.
- The oversight body receives quality information that flows up the reporting lines from management and personnel. Information relating to internal control communicated to the oversight body includes significant matters about adherence to, changes in, or issues arising from the internal control system. This upward communication is necessary for the effective oversight of internal control.

Recommendation

The Board should continue to take an active role in the oversight of the OCI and Agri-Services divisions, including ensuring the financial information presented to the Board appears reasonable given the missions and activities of the divisions, communicating its expectations to the divisions, and establishing a system of multi-directional communication flow and oversight. It should be noted that management appears to be working to improve oversight and reporting. The Board should also ensure audit recommendations are implemented and another, more detailed internal control examination takes place in the future when post-audit period changes to control processes have been solidified.

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Views of Responsible Officials

We concur with the recommendation.

OBJECTIVE IV Determine whether OCI partnership activity complies with significant laws and regulations.

Conclusion OCI partnership activity complies with significant laws and regulations.

Background

Two types of partnerships function within the OCI program:

- Service industry partnerships with businesses that do not qualify to do business with OCI without a contract under state statute. These partnerships do not involve manufacturing, in agreement with federal laws regulating the products of inmate labor. The businesses apply to contract with OCI for services such as scanning or packaging, and the detailed contracts undergo many levels of approval within OCI and DOC.
- PIECP, or Prison Industry Enhancement Certification Program, operations. This program is federally certified through a stringent application process and set of requirements, and the resulting activity is regularly monitored, including required quarterly reporting as well as on-site audits by the National Corrections Industries Association under a grant from the federal Bureau of Justice Assistance. Non-state government partnerships within this program are exempted from the prohibition on inmate labor in production and offer offender workers the prevailing wage for work performed. This program includes protections for private industry as well as the workers themselves, and also requires detailed contracts within OCI and DOC.

57 O.S. § 549.1 also allows parties such as government agencies, schools, and non-profit organizations to buy services or products from OCI without complex bidding or contracting practices. These relationships are not considered partnerships in the context of this objective.

Objective Methodology

To accomplish our objective, we performed the following:

- Obtained an understanding of the partnership and PIECP programs within OCI, including visiting several operations, discussing with program staff, and reviewing relevant state statutes and federal law.
- Obtained audit period partnership contracts and ensured they were approved; further ensured OCI's non-PIECP partnership agreements were for services only, producing no tangible

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products, as required by federal regulations 18 U.S.C. 1761(a) and 41 U.S.C. 35, related to interstate commerce and the products of convict labor.

- Reviewed the complex details of the PIECP program and related audit materials to ensure NCIA procedures covered significant aspects of the federal requirements.
- Reviewed federal guidelines for PIECP certification promulgated by the federal Department of Justice, Bureau of Justice Assistance (BJA), and published in the federal register in 1999/effective April 2000. As noted above, the PIECP program is federally authorized, regulated, and audited. We reviewed detailed audit documentation reflecting what appeared to be effective monitoring by Correctional Industries Association (NCIA) under a grant from the BJA, to ensure OCI's PIECP programs were properly authorized and are operating according to federal guidelines.

We did not perform detailed procedures over the individual PIECP programs' operations, or evaluation of controls in place in those programs. However, an audit at this level of detail could be valuable to OCI, DOC, and the PIECP partner businesses in the future, and we recommend such procedures be conducted in a future engagement.

No findings were identified as a result of these procedures.

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