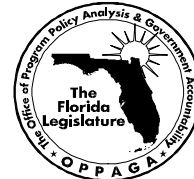




Office of Program Policy Analysis And Government Accountability



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Follow-Up Report on the Inmate Welfare Trust Fund and Institution-Based Accounts Administered by the Department of Corrections

Report Abstract

Although the Department has taken some of the actions we recommended to effectively and efficiently manage the Inmate Welfare Trust Fund, it has not:

- Revised its canteen profit structure so that profits can exceed 25% of merchandising sales;
- Fully implemented statewide purchasing to increase profits and realize volume discounts;
- Discontinued funding positions that are not directly related to the operation of the Inmate Welfare Trust Fund or sought a revision to s. 945.215, F.S., specifically authorizing the expenditure of telephone commissions for expenses not directly related to inmate welfare.

The Legislature has not amended s. 945.215, F.S., to fund inmate recreation programs as a method to combat inmate idleness in the absence of sufficient inmate work and education programs.

Purpose of Review

In accordance with s. 11.45(7)(f), F.S., this follow-up report informs the Legislature of actions taken by the Department of Corrections in response to our Report No. 94-21, which we issued December 27, 1994. This report presents our assessment of the extent to which the Department has addressed the findings and recommendations included in our report.

Background

Section 945.215, F.S., creates the Inmate Welfare Trust Fund. This Fund consists primarily of sales revenues obtained from the Department of Corrections' institution commissaries, called canteens, and from commissions paid to the Department by telephone companies whose telephone

service is used by inmates at the Department's correctional facilities. Trust Fund profits have typically been used to fund selected prison programs and activities not funded by Florida taxpayers. For fiscal year 1995-96, the Department received \$30.9 million from canteen sales and \$12.1 million from telephone commissions. Profits for canteens were \$155,000 and profits for telephone commissions were \$12.1 million.

Although generally referred to as a singular fund, the Inmate Welfare Trust Fund is actually a collection of funds composed of monies collected at the Department's 52 major institutions, the five regional offices, and the Central Office. The Central Office collects and deposits telephone commission revenues into the Inmate Welfare Trust Fund maintained by the State Treasurer. Revenues obtained from the regional and institutional canteens are deposited by institution officials into local bank accounts in the area where the facility is located. These local bank accounts are referred to as institution-based accounts.

Prior Findings

Inmate Canteens. Although the use of canteen profits allows the Department to reduce its reliance on taxpayer funds, profits to the Inmate Welfare Trust Fund were generally reduced by Department policies and practices. Profit reducing policies and practices included selling items at inmate canteens below retail, limiting canteen profits to 25% of merchandise sales, and capping canteen mark-up prices at 33%. Further reducing profits was the Department's policy of capping inmate canteen expenditures at \$30 a week, considerably less than the \$47 national average of other states' inmate spending caps. Also, by not centralizing canteen purchasing, the Department was unable to benefit from volume discounts generally available from vendors.

Telephone Commissions. The Department did not have procedures to verify the accuracy of telephone commission amounts received by the Department and was not using the funds in a manner consistent with telephone commission purposes. Telephone companies providing long distance

service to inmates pay the Department a commission on each call made. We found that, similar to results reported in an earlier study by the Auditor General, Report No. 12263, Operational Performance Audit of the Inmate Welfare Trust Fund, the Department had not established adequate controls to safeguard, reliably account for, and efficiently use the telephone commission monies and was using inmate funds for staffing positions not directly related to the Trust Fund. At the time of our fieldwork, the Department had not developed control procedures outlined earlier by the Auditor General. Such procedures are important since telephone commissions exceeded \$12 million in fiscal year 1995-96 and accounted for nearly 100% of Trust Fund profits.

Inmate Management. The Department has historically used profits from the Inmate Welfare Trust Fund to finance inmate recreational activities such as weightlifting, softball, arts and crafts, and the purchase of televisions. The Department used these activities to keep inmates occupied because it did not have enough work and education programs. Inmate idleness is a significant Department problem. Corrections literature shows that inmate idleness is one of the contributing factors to inmate violence and institution riots. Concurring with findings by the American Correctional Association and consistent with the practices of the other 49 states, we found that recreational activities were consistent with inmate management, provided the Department an inexpensive method of keeping its correctional officer staffing costs low, and, short of work and educational programs, provided the Department with an inmate management tool free of taxpayer expense. We noted the need, however, for the Department to work with the American Correctional Association to devise alternative methods of managing inmates.

Actions Taken

Consistent with Ch. 96-312, Laws of Florida, the Department implemented our recommendation to increase the inmate canteen spending limit by allowing each inmate to spend up to \$45 of their personal funds on canteen purchases.

To receive volume discounts, the Department has made some effort toward centralizing selected purchases for inmate canteens. The Department awarded a statewide contract to purchase some canteen items through a mail order catalog system. At the regional level, the Department centralized purchase of some items, like soft drinks, to obtain discounts from vendors. However, by failing to centralize purchases statewide, the Department may not be realizing profits that statewide purchasing could provide.

To verify that the Department is receiving the telephone commissions it is due, the Department has purchased Call Monitoring System Software which will enable it to verify that it receives all commissions due. The Department's contract requires telephone companies to provide a record of all calls made. However, the Department has allowed the two companies providing 98% of the telephone service to inmates to fall behind in supplying the necessary telephone records needed to verify commissions. Department officials indicate that future contracts will provide sanctions against companies that fall behind. All telephone companies pay for an independent auditing firm to verify on a semi-annual basis that telephone calls are being properly tracked and commissions are being paid to the Department.

To develop alternative methods of inmate management, the Department has worked with the American Correctional Association and the Department of Justice to develop programs enabling it to join in partnership with private sector businesses to provide job training and job skills in a real work environment. Currently, only 66 inmates are being served by this program, however. The Department continues to search for low cost methods of inmate management.

Actions Not Taken

The Agency has not implemented our recommendations to revise its profit and pricing structure, has not raised prices, and continues to fund positions not directly related to the Trust Fund. The Department has not revised its canteen profit structure so that profits can exceed 25% of merchandising sales. Failing to eliminate the 25% profit cap effectively eliminates any additional profits the Department receives through centralized purchasing. Revising its pricing and profit structure coupled with increased prices would increase trust fund profits. Although the Department indicated it plans to increase prices during the 1996-97 fiscal year, it has not yet done so. The Department has not completed market research on appropriate pricing levels. Even if the Department takes these actions, profits will continue to be limited as long as the Department funds internal audit staff positions not directly related to the Trust Fund. If the Department wishes to fund positions not directly related to the Trust Fund, it should seek a revision to s. 945.215, F.S.

The Legislature did not amend s. 945.215, F.S., to allow the Department to continue funding recreation programs. The use of inmate recreation as a low cost inmate management tool, particularly in the absence of sufficient work and education programs, is consistent with the other states' practices and with the American Correctional Association's standards of inmate management.