

REPORT NO. 12228

STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL



151503

PERFORMANCE AUDIT
OF THE

PRISON INDUSTRIES PROGRAM

ADMINISTERED BY

PRISON REHABILITATIVE INDUSTRIES AND
DIVERSIFIED ENTERPRISES, INC.

JANUARY 18, 1994

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STATE OF FLORIDA

OFFICE OF THE AUDITOR GENERAL



CHARLES L. LESTER, C.P.A.
AUDITOR GENERAL

January 18, 1994

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NCJRS

NOV 20 1994

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

ACQUISITIONS

I have directed that a performance audit be made of the Prison Industries Program administered by Prison Rehabilitative Industries and Diversified Enterprises, Inc. The results of the audit are presented to you in this report. This audit was made as a part of an ongoing program of performance auditing by the Office of the Auditor General as mandated by Section 11.45(3)(a), Florida Statutes.

Respectfully yours,

Charles L. Lester
Auditor General

151503

Audit supervised by:

U.S. Department of Justice
National Institute of Justice

D. Byron Brown

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PERFORMANCE AUDIT
 OF THE
 PRISON INDUSTRIES PROGRAM
 ADMINISTERED BY PRISON
 REHABILITATIVE INDUSTRIES AND DIVERSIFIED ENTERPRISES, INC.

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PRISON INDUSTRIES PROGRAM

Purpose and Scope

Chapter 90-335, Laws of Florida, requires the Auditor General to conduct a financial-related and performance audit of the Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE) every three years. This audit period extended from July 1, 1990, through June 30, 1993.

Specific objectives addressed in this audit were to:

- Determine the status of PRIDE's efforts to accomplish its statutory mission to reduce inmate idleness within the state's major correctional institutions;
- Identify constraints that may hinder PRIDE's efforts to substantially increase the number of inmates used in the future, and thus diminish PRIDE's effectiveness at reducing inmate idleness;
- Determine the status of PRIDE's efforts to accomplish its statutory mission of providing training, post-release job placement, and reduction of recommitment;
- Determine the effects of statutory competitive bidding provisions on PRIDE's printing sales;
- Assess PRIDE's efforts to develop goals, objectives, performance measures, and benchmarks, and information collection efforts that would facilitate an evaluation of PRIDE's performance; and
- Assess whether PRIDE's annual reports to the Legislature contain sufficient information to

facilitate a conclusive evaluation of PRIDE's performance in meeting its statutory missions.

Background

Prior to 1981, the Department of Corrections operated the state's prison industries program. Chapter 81-125, Laws of Florida, authorized the Department to lease the facilities and equipment of the various correctional industries to a nonprofit corporation organized solely for the purpose of operating the correctional work programs. On September 1, 1982, Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE) began to assume responsibility from the Department of Corrections for managing the prison industries program. By July 1, 1984, PRIDE had assumed responsibility for administering all prison industries.

Section 946.501(1), F.S., enumerates that correctional work programs provide inmates with useful activities that can lead to meaningful employment after release from prison which should assist in reducing recidivism. Section 946.501(2), F.S., cites the missions of a correctional work program, in order of priority:

- To provide a joint effort between the Department of Corrections, the correctional work programs, and other vocational training programs to reinforce relevant education, training, and post-release job placement and help reduce recommitment;
- To serve the security goals of the state through the reduction of inmate idleness and the provision of an incentive for good behavior in prison;

EXECUTIVE SUMMARY

- To reduce the cost of state government by operating enterprises primarily with inmate labor, which do not seek to unreasonably compete with private enterprise; and
- To serve the rehabilitative goals of the state by duplicating, as nearly as possible, the operating activities of a free-enterprise type of profit-making enterprise.

During the audit period, the major source of revenue for PRIDE operations was money generated from sales of industry products and services. Net sales for fiscal years 1990-91, 1991-92, and 1992-93, were approximately \$75.5 million, \$67.8 million, and \$71.2 million, respectively. For fiscal year 1992-93, PRIDE paid the Department of Corrections approximately \$1 million to defray costs of incarceration, and approximately \$200,000 for victim restitution. The present prison industries program operates 42 industries and 13 supporting operations with 2,663 inmate workstations at 20 major correctional institutions. As of June 30, 1993, PRIDE had 371 non-inmate employees.

Results in Brief

Sales of PRIDE's products and services declined in fiscal year 1991-92 for the first time in PRIDE's history, thereby impeding PRIDE's ability to work more inmates and thus diminishing PRIDE's effectiveness at reducing inmate idleness. There are constraints that may hinder PRIDE's ability to substantially increase the number of inmates worked by PRIDE. Unless PRIDE's sales increase substantially in the future, PRIDE will play a diminished role in reducing inmate idleness within a rapidly growing prison system.

EXECUTIVE SUMMARY

Available data from PRIDE indicates that PRIDE's training and post-release job placement efforts have benefitted a number of PRIDE inmate workers. Preliminary data also suggest that such efforts may lead to a reduction in the number of former PRIDE inmates who are recommitted to prison. However, due to limitations with the PRIDE data, further information is needed in order to determine the extent to which PRIDE's training and job placement programs are helpful in reducing recommitment.

PRIDE's failure to win competitive bids has contributed to a \$1.4 million decline in sales of PRIDE's printed products to state agencies from fiscal year 1990-91 to fiscal year 1992-93. As a result of this decline in sales, PRIDE's printing industry used fewer inmates and produced less net income reducing PRIDE's ability to expand into new industries.

PRIDE had not developed performance measures or benchmarks as of July 1993 that could be useful in evaluating PRIDE's performance in achieving its statutory missions. As a result, the Legislature does not know the extent to which PRIDE is accomplishing its statutory missions. PRIDE annual reports to the Legislature contain insufficient information to enable the Legislature to evaluate PRIDE's performance to accomplish its missions. The reports do not provide comparative data from prior years, and the reports provide anecdotal rather than comprehensive evaluation data. In addition, PRIDE's annual reports contain information about the amount of finished goods purchased for resale that may be misleading due to the narrow definition that PRIDE uses for reporting purposes.

Findings

Sales Decline Affected PRIDE's Effectiveness in Reducing Inmate Idleness

In fiscal year 1991-92, sales of PRIDE's products and services declined for the first time in PRIDE's history, thereby impeding PRIDE's ability to work more inmates and thus diminishing PRIDE's effectiveness at reducing inmate idleness. PRIDE's sales declined by \$7.7 million (10%), from \$75.5 million in fiscal year 1990-91 to \$67.8 million in fiscal year 1991-92. The primary factor contributing to this decline is declining sales to state agencies. Of the \$7.7 million sales decline PRIDE experienced from fiscal year 1990-91 to fiscal year 1991-92, \$6.7 million (87%) was attributable to a decline in sales to state agencies. Our review determined that the decreases in state agency purchases primarily resulted from the changing demand for PRIDE's products and services by its major state agency customers. Because a substantial portion of the decrease in PRIDE sales can be attributed to changes in demand for PRIDE products and services, PRIDE should attempt to adapt its line of products and services to meet the needs of state agencies. PRIDE staff worked with staff of some state agencies during fiscal year 1991-92 to respond to changing purchasing needs of the agencies. For fiscal year 1992-93, these efforts resulted in a partial offset to the sales decline that occurred from fiscal year 1990-91 to fiscal year 1991-92.

Unless PRIDE's Sales Increase Substantially PRIDE Will Play a Diminished Role in Reducing Inmate Idleness

Because PRIDE uses inmates in the production of goods, the effectiveness of PRIDE's efforts in reducing inmate idleness is largely dependent on continuing sales and future increases in sales. Unless PRIDE's sales increase substantially in the future, PRIDE will play a diminished role in reducing inmate idleness within a growing prison system. Projections made by the

Department of Corrections indicate the state's incarcerated population will be 66,431 by June 30, 1996, or a 31% increase over the 50,448 inmates incarcerated as of June 30, 1993. We identified constraints that may hinder PRIDE's ability to substantially increase its sales and thus the number of inmates worked. Our review determined that PRIDE is not likely to obtain significant increases in sales of existing products and services. We identified two primary impediments to PRIDE's ability to develop new industries. First, PRIDE's guidelines prohibit its expansion into industries where Florida-based businesses already exist, thereby limiting PRIDE's expansion possibilities. Second, PRIDE needs to have sufficient capital to fund expansion into a new industry.

Inmates Who Received PRIDE Training or Worked in PRIDE Industries Appear to Have Lower Recombitment Rates

Available data from PRIDE indicate that PRIDE's training and post-release job placement efforts have benefitted a number of PRIDE inmate workers. For example, PRIDE data indicate that 3,517 (32%) of the 11,122 inmate that worked in PRIDE for the period of July 1, 1991, through June 30, 1993, earned training certificates. This means that approximately one-third of all PRIDE inmate workers during this period gained vocational skills that prepare them for employment upon their release. PRIDE placement data indicate that 317 (46%) of the 695 inmates released directly from PRIDE were placed in jobs by PRIDE and stayed employed for at least 30 days. Preliminary data also suggest that such efforts may lead to a reduction in the number of former PRIDE inmates who are recommitment to prison. For example, the recommitment rates of ex-PRIDE inmates who were placed in jobs by PRIDE upon their release from prison are lower than those ex-inmates who were not placed in jobs. Similarly, ex-inmates who worked in PRIDE industries for 12 months or longer had lower recommitment rates than those ex-inmates working in PRIDE industries for less than 12 months. However, we

could not definitively conclude that PRIDE had made a positive impact on reducing recommitment rates since:

- PRIDE has not tracked the recommitment data for a sufficient time to provide reliable information;
- PRIDE does not collect specific data that could provide better information on the impact of PRIDE's training efforts on obtaining post-release job placement and reducing recommitment; and
- PRIDE recommitment data does not include comparison populations.

**Statutory Requirement
for PRIDE to
Competitively Bid on
State Agency Printing
Has Contributed to Sales
Decline**

Section 283.33(5), F.S., requires state agency printing purchases in excess of \$10,000 to be subject to the state's competitive bidding requirement. Since the competitive bidding requirement took effect in October 1990, sales of PRIDE's printed products to state agencies declined by \$1.4 million from \$6.8 million in fiscal year 1990-91 to \$5.4 million in fiscal year 1992-93. The primary factor contributing to the decline in sales of PRIDE printed products for the period of July 1, 1990, through June 30, 1993, is declining sales to state agencies, with the greatest amount of the decline being attributed to losses in PRIDE's competitive bid business. Since PRIDE did not systematically collect information about its competitive bids, we reviewed a limited sample of 84 printing purchases over \$10,000 from four state agencies for the period of July 1, 1990, through June 30, 1993. We determined that as a result of the change in the statute that requires PRIDE to competitively bid on printing jobs, PRIDE has lost some jobs that it had previously produced. In addition, we determined that

although PRIDE is limited somewhat in the number of bids it can make, PRIDE could make more bids.¹

PRIDE Has Not Developed Performance Measures or Benchmarks to Evaluate Its Performance

Evaluations of government programs are undertaken for a variety of reasons, including to monitor progress in meeting program goals and objectives and to meet accountability requirements. To effectively evaluate performance in meeting statutory missions, government programs should have a system for measuring and reporting their effectiveness. We identified deficiencies with PRIDE's system for measuring and reporting its effectiveness. As of July 1993, PRIDE had not developed performance measures or benchmarks that could be useful in evaluating PRIDE's performance in achieving its statutory missions. As a result, the Legislature does not know the extent to which PRIDE is accomplishing its statutory missions. However, we identified two factors that could expedite the development of performance measures and benchmarks. First, PRIDE has developed strategies in its June 1992 strategic plan that could be useful in establishing performance measures. Second, PRIDE has collected information on the June 1992 strategic plan strategies that should facilitate the establishment of benchmarks.

PRIDE Annual Reports Do Not Contain Sufficient Information for Oversight Purposes

Section 946.51(61), F.S., requires that PRIDE submit a report each year to the Governor and Legislature on the status of the prison industries program. Because the information contained in these reports is the primary source of information available to the Legislature for oversight purposes, these reports

¹ The reasons for PRIDE's ineligibility to bid on certain printing jobs include bids reserved for minority vendors pursuant to s. 287.042(4), F.S.; sole source and emergency purchases as proscribed by Ch. 287, F.S.; print jobs that have certain statutory restrictions which preclude PRIDE's involvement, such as s. 319.23(10), F.S., requiring the Department of Highway Safety and Motor Vehicles to use security requirements in the preparation and issuance of certificates of title; and a PRIDE policy prohibiting the acceptance of printing jobs that involve the sale of advertising.

should contain sufficient information to enable an assessment of PRIDE's performance in meeting its statutory missions. PRIDE annual reports contain insufficient information to enable the Legislature to evaluate PRIDE's performance in meeting its statutory missions, such as reducing recidivism or reducing inmate idleness within the state's prisons. The reports do not provide comparative data from prior years, and the reports provide anecdotal rather than comprehensive evaluation data. In addition, PRIDE annual reports contain information about the amount of finished goods purchased for resale that may be misleading due to the narrow definition PRIDE uses for reporting purposes. PRIDE does not separately identify in its annual reports the amount of value-added products, which are products for which inmates perform minimal work, such as providing inspections, performing warehousing and distribution functions, or repackaging food products. Because PRIDE's primary purpose is to train inmates in work skills, the Legislature needs information about PRIDE products that involve little or no work by inmates. Such information would allow the Legislature to assess the benefits of value-added sales in light of PRIDE's missions.

Recommendations

Recommendations to the Legislature

Developing several new industries over the next three years is critical to PRIDE's ability to help the Department of Corrections reduce inmate idleness within a rapidly growing prison system. Therefore, to provide further direction to PRIDE's efforts in developing new industries, the Legislature needs to establish a definition for unreasonable competition within s. 946.501, F.S.,

that takes into consideration the marketability of skills inmates receive while training in PRIDE's industries.

The Legislature needs complete information about the amount of goods that PRIDE purchases for resale, including information about products for which PRIDE inmates have performed minimal or no work. To clarify the reporting requirements relative to PRIDE's use of value-added products, the Legislature should amend s. 946.516, F.S., to require PRIDE to provide in its annual reports an itemized listing of all products that PRIDE considers to be value-added, with a description of the amount of work that PRIDE inmate workers provided for each of these products, the number of inmates working on these products, the training value provided to these inmates by such work, and whether such practices have resulted in cost savings to the state. This would provide the Legislature with more complete information regarding PRIDE's practices relative to value-added products.

Recommendations to PRIDE

To help reduce inmate idleness within a rapidly growing prison system, PRIDE will need to expand its operations by developing several new industries. To accomplish this objective, PRIDE needs to expand rather than limit its new business opportunities. Therefore, PRIDE needs to modify its guidelines that presently limit its ability to develop new industries. PRIDE's emphasis in developing new industries should be related to addressing its two highest priority missions: the vocational training of inmates that leads to post-release employment and a reduced recommitment rate, and the reduction of inmate idleness within the state's prisons.

EXECUTIVE SUMMARY

To fund its new industries, PRIDE should consider alternative funding sources. For example, we identified four options PRIDE could consider:

- PRIDE could request a one-time general revenue appropriation from the Legislature to fund new industries;
- PRIDE could request the Legislature authorize a loan to be repaid with interest;
- PRIDE could obtain long term financing from private sources; or
- PRIDE could designate a specific portion of its net income to fund new industries.

To facilitate a more conclusive evaluation of its efforts to accomplish the statutory mission relative to reducing recidivism, PRIDE and the Department of Corrections should continue to work together to conduct a study comparing the recidivism rates of populations of former PRIDE and non-PRIDE inmates. To accomplish this study, PRIDE needs to continue working with the Department of Corrections to track information about ex-inmates, including additional data to allow more in-depth analysis. To supplement the quantitative data collected for the study, PRIDE should consider obtaining qualitative information, such as interviewing ex-PRIDE inmates that have been recommitted and employers of ex-inmates. In addition to facilitating a more conclusive evaluation of PRIDE's performance in meeting its primary mission, such information could also be useful to PRIDE's management to modify and improve its existing training and job placement programs to achieve better program results.

EXECUTIVE SUMMARY

While PRIDE is limited somewhat in the number of printing bids it can make, PRIDE could make more bids. Therefore, PRIDE should evaluate its bidding process and develop a strategy to bid on more of the state agencies' printing jobs. To accomplish this goal, PRIDE should work with purchasing staff in state agencies on ways to meet potential printing needs, and should develop plans to achieve greater flexibility in its scheduling of printing jobs. Increasing the number of bids that PRIDE makes should result in PRIDE being awarded more of the state agencies' printing jobs. To help PRIDE's staff make better bids on printing jobs, PRIDE needs to keep separate data on the formal, competitive bids it makes, and to evaluate the results of each losing bid. Information on PRIDE's formal bids would help PRIDE's management better determine future bids.

To facilitate a conclusive evaluation of PRIDE's performance, PRIDE should establish specific performance measures and benchmarks that address each of PRIDE's statutory missions. To provide information that will enable the Legislature to evaluate PRIDE's performance, PRIDE should provide information in its annual reports related to goals, objectives, and measures for each of its statutory missions, including information on PRIDE's impact on reducing recidivism and PRIDE's effect in reducing inmate idleness within the state's prison system. To allow for a comparison of PRIDE's performance from one year to the next, PRIDE's annual reports should present data for the current year, as well as at least two previous years.

Agency Response

The President of PRIDE concurred with our preliminary and tentative findings and recommendations and described actions being taken to address our concerns.

CHAPTER I

Introduction: Purpose and Scope, Methodology

Purpose and Scope

The Auditor General conducts performance audits as part of the Legislature's oversight responsibility for public programs. The primary objective of performance audits is to provide information the Legislature can use to improve programs and allocate limited public resources.

Chapter 90-335, Laws of Florida, requires the Auditor General to conduct a financial-related and performance audit of the Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE) every three years. This audit period extended from July 1, 1990, through June 30, 1993.

Specific objectives addressed in this audit were to:

- Determine the status of PRIDE's efforts to accomplish its statutory mission to reduce inmate idleness within the state's major correctional institutions;
- Identify constraints that may hinder PRIDE's efforts to substantially increase the number of inmates used in the future, and thus diminish PRIDE's effectiveness at reducing inmate idleness;
- Determine the status of PRIDE's efforts to accomplish its statutory mission of providing training, post-release job placement, and reduction of recommitment;
- Determine the effects of statutory competitive bidding provisions on PRIDE's printing sales;

- Assess PRIDE's efforts to develop goals, objectives, performance measures and benchmarks, and information collection efforts that would facilitate an evaluation of PRIDE's performance; and
- Assess whether PRIDE's annual reports to the Legislature contain sufficient information to facilitate an evaluation of PRIDE's performance in meeting its statutory missions.

Methodology

Our audit was made in accordance with generally accepted government auditing standards and accordingly included appropriate performance auditing and evaluation methods. Audit fieldwork was conducted from May 1993 to October 1993.

To gain a general understanding of how PRIDE operates, we reviewed pertinent sections of the Florida Statutes, PRIDE's 1991 and 1992 strategic plans, 1991 and 1992 annual reports, Board minutes for the period of July 1990 through December 1992, and other PRIDE documents and reports. We obtained additional information through interviews with PRIDE administrators and staff.

To determine the status of PRIDE's efforts in accomplishing its statutory mission of reducing inmate idleness, we reviewed available PRIDE data on the number of inmates PRIDE works, the amount of sales generated for fiscal years 1990-91 through 1992-93, and PRIDE's efforts to increase inmate utilization. We also interviewed PRIDE and Department of Corrections staff.

To determine the status of PRIDE's efforts to accomplish its statutory mission to provide training, post-release job placement and reduce recommitment, we reviewed available PRIDE data for the number of training certificates issued to inmates from July 1, 1991, through June 30, 1993, the number of post-release job placements from July 1, 1992, through June 30, 1993, and number of ex-PRIDE inmates that have recommitted from

July 1, 1991, through April 30, 1993. Additionally, we interviewed PRIDE and Department of Corrections staff.

To determine the effects of the statutory competitive bidding provisions on PRIDE's printing sales, we reviewed SAMAS data on the state agency expenditures for printing, PRIDE printing sales data, and reviewed a sample of 84 printing bids from four selected state agencies. In addition, we interviewed six state agency purchasing directors and PRIDE staff.

To evaluate PRIDE's efforts to develop goals, objectives, performance measures and benchmarks, and information collection efforts which could facilitate an evaluation of PRIDE's performance, we reviewed pertinent sections of the Florida Statutes, PRIDE's June 1992 strategic plan, and available PRIDE data for the period of July 1, 1990, through June 30, 1993.

To assess whether PRIDE's annual reports to the Legislature contain sufficient information to facilitate an evaluation of PRIDE's performance in meeting its statutory missions, we reviewed all of PRIDE's 1991 and 1992 annual reports and data relative to its statutory missions. Additionally, we interviewed PRIDE and Department of Corrections staff.

CHAPTER II

Background: Program Design and Organization

Program Design

Historically, Florida requires all able-bodied prison inmates to work. Inmates can be assigned by the Department of Corrections to work at a variety of jobs, such as kitchen help and grounds maintenance at correctional institutions; road cleanup crews for the Department of Transportation; or as inmate workers of the prison industries program.

The state's prison industries program is authorized by Ch. 10271, Laws of Florida (1925), which provides for the establishment of industrial plants to be operated using inmate labor. The present prison industries program, authorized by Ch. 946, F.S., operates 42 industries and 13 supporting operations with 2,663 inmate workstations at 20 major state correctional institutions. (See Appendix A for a list of PRIDE industries and operations as of June 30, 1993.) Inmates work in correctional industries to produce and manufacture such products as shoes and office furniture, and to provide services such as computer-aided design and drafting, printing, and vehicle renovation.

Prior to 1981, the Department of Corrections operated the state's prison industries program. Chapter 81-125, Laws of Florida, authorized the Department to lease the facilities and equipment of the various correctional industries to a nonprofit corporation organized solely for the purpose of operating the correctional work programs. On September 1, 1982, Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE) began to assume responsibility for managing the prison industries program. By July 1, 1984, PRIDE had assumed responsibility for administering all prison industries.

Section 946.515, F.S., provides that any service or item manufactured, processed, grown, or produced by the corporation in a correctional work program may be furnished or sold to any legislative, executive, or judicial agency of the state, any political subdivision, any other state, any foreign government, or any agency of the federal government, or to any contract vendor for such agencies or any subcontractor of the contract vendor. Raw agricultural products, including sugar cane, vegetables, beef, and dairy products, may be sold to private entities.

Also, the corporation (PRIDE) may contract to provide inmate services or inmate goods to private enterprise, where such services or goods are under the direct supervision of the corporation and, further, where it is determined by the Governor that such services or goods do not unreasonably compete with other businesses in this state. Section 946.515, F.S., provides that the purchasing authority of any such state agency may make reasonable determinations of need, price, and quality with reference to articles available for sale by the corporation. ² Additionally, the provisions of Part I of Ch. 287, F.S. (Procurement of Personal Property and Services - Commodities, Insurance, and Contractual Services), do not apply to any purchases of commodities or contractual services made by any state agency from the corporation.

Section 946.501(1), F.S., enumerates that correctional work programs provide inmates with useful activities that can lead to meaningful employment after release from prison which should assist in reducing recidivism. Section 946.501(2), F.S., cites the missions of a correctional work program, in order of priority:

- To provide a joint effort between the Department of Corrections, the correctional work programs, and other vocational training programs to reinforce relevant education, training, and post-release job placement and help reduce recommitment;

² Effective October 1, 1990, state agencies are required by s. 283.33, F.S., to competitively bid purchases of printing from PRIDE in excess of \$10,000.

- To serve the security goals of the state through the reduction of idleness of inmates and the provision of an incentive for good behavior in prison;
- To reduce the cost of state government by operating enterprises primarily with inmate labor, which enterprises do not seek to unreasonably compete with private enterprise; and
- To serve the rehabilitative goals of the state by duplicating, as nearly as possible, the operating activities of a free-enterprise type of profit-making enterprise.

PRIDE carries out these missions by establishing industries which work inmates in the production of goods and services. Proposals for new industries may come from within PRIDE or from parties external to PRIDE, such as customers. PRIDE staff evaluate these proposals by looking at numerous factors, including: market size and composition, number of competitors, required capital investment and likelihood of profitability, potential for inmates to develop marketable skills, and whether the industries would fit within the unique environment of the correctional system. PRIDE's Board of Directors approves the establishment of new industries, which may be located either within or outside of the secure perimeter of the correctional institutions depending upon the nature of the industry and the requirements of the correctional institution. Out of the 42 industries PRIDE operates, 25 are inside and 17 are outside the secure perimeters of the institutions. Examples of industries that operate inside the prison are key data entry, printing, and furniture manufacturing. Industries that operate outside the prison include dairy, sugar cane, and forestry.

Section 946.511, F.S., governs the assignment of inmates to PRIDE. Inmates are evaluated by Department of Corrections staff during the reception process and are assigned to work and other programs based on the evaluation and length of sentence. Assignments to meet the needs of the Department of Corrections, including work requirements for Department of Transportation contracts, take priority over the assignment of inmates to PRIDE.

Section 946.512, F.S., requires PRIDE to establish a compensation plan for inmate workers. Part of the inmate's compensation is to be credited by the Department of Corrections to an account for each inmate performing labor. Another portion shall be used to make any court-ordered payments, including restitution to the victim and a specific amount to be paid to the Department's Grants and Donations Trust Fund.

Prior to July 1, 1991, inmate workers were paid based on one of four skill levels and work longevity. According to the inmate compensation plan, 30% of the inmate's total pay was placed in the inmate's institutional account for the inmate's personal use. The remaining 70% was applied towards other inmate expenses, including a portion that was provided to the Department of Corrections to be applied to the cost of custody and care for the prisoners, and a portion that was used to pay victim restitution from certain eligible inmate workers.

Effective September 1, 1992, PRIDE's Board of Directors modified the inmate compensation plan. The current plan provides that only the portion of inmate pay to be retained by the inmate is considered inmate compensation. For fiscal year 1992-93, the amount of inmate compensation was approximately \$1.5 million. In addition to the inmate compensation, PRIDE pays the Department of Corrections an amount to be used to reimburse the state for all or a portion of the lodging expenses, food expenses, or other expenses incurred for sustaining the inmate worker. This payment to the Department of Corrections is based on 1.5% of gross sales for PRIDE and is paid quarterly. For fiscal year 1992-93, PRIDE paid \$1,068,655 to the Department of Corrections.

Currently, PRIDE's payments to the Department of Corrections for victim restitution and court ordered fees is based on 15% of total inmate compensation. PRIDE makes semiannual payments by forwarding a check for each institution in which PRIDE operates an industry to the Department of Corrections, along with a list of inmate workers and the amount owed for each worker. The Department of Corrections is responsible for

disbursing these funds. For fiscal year 1992-93, PRIDE paid \$219,075 to the Department of Corrections for victim restitution and court ordered fees.

Program Organization

PRIDE is headed by a Board of Directors composed of 13 members who are appointed by the Governor and confirmed by the Senate. Each year, the Board of Directors elects a chairman from among the 13 board members. F. Philip Handy served as chairman of the Board of Directors until December 1992, and Cecilia Bryant, has served in that capacity since December 1992. The Board of Directors employs a President to manage the corporation. Pamela Jo Davis is the current president and has served in that position since October 15, 1990. (Appendix B contains a listing of the members of the Board as of June 30, 1993.)

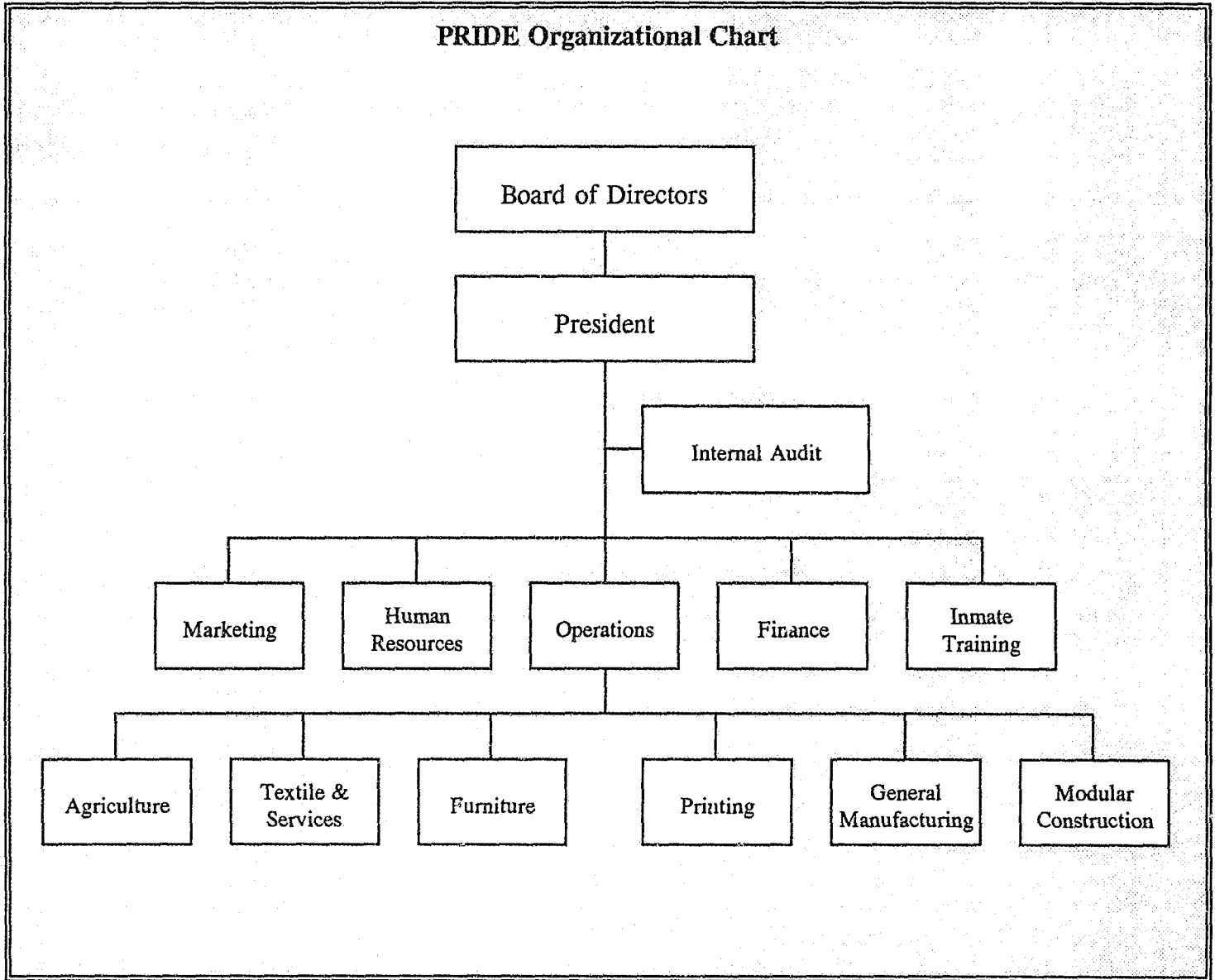
As of June 30, 1993, PRIDE was organized into five departments: marketing, human resources, operations, finance, and inmate training. Under the Vice President for Operations are six divisions, each headed by a General Manager who is responsible for monitoring the production of industry goods and services. (See Exhibit 1 for PRIDE's organization chart.) As of June 30, 1993, PRIDE had 371 non-inmate employees.

Program Resources

During the audit period, the major source of revenue for PRIDE operations was money generated from sales of industry products and services. Net sales for fiscal years 1990-91, 1991-92 and 1992-93 were approximately \$75.5 million, \$67.8 million and \$71.2 million, respectively. Of the \$71.2 million in sales for fiscal year 1992-93, approximately \$52 million (73%) was to state agencies and \$19.2 million (27%) was to all other customers, including local governments, educational institutions, and out-of-state customers. The percent of sales to major customers from each of PRIDE's six divisions is

shown in Appendix C. PRIDE sales by customer category for fiscal year 1992-93 are shown in Exhibit 2.

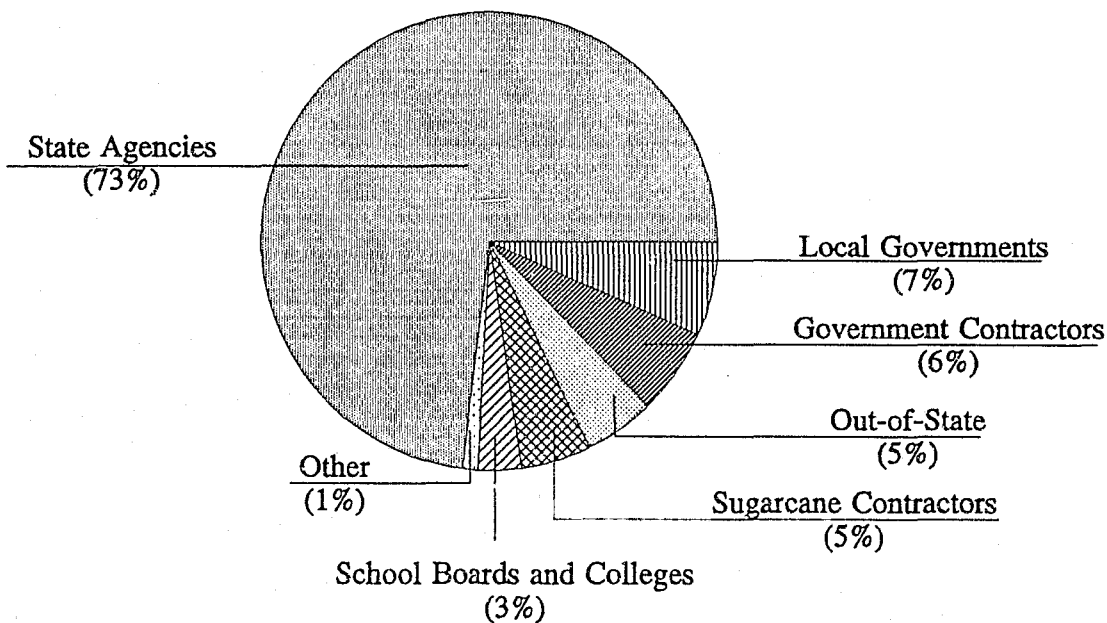
Exhibit 1



Source: Prison Rehabilitative Industries and Diversified Enterprises, Inc.

Exhibit 2

PRIDE Sales by Customer Category
For Fiscal Year 1992-93



Total Sales = \$71,181,068

Source: Compiled by the Office of the Auditor General using PRIDE sales data.

For information purposes, a comparison of PRIDE's Balance Sheets, as presented in PRIDE's Financial Statements at June 30, 1990, and June 30, 1993, is shown in Exhibit 3. As of June 30, 1993, PRIDE had total assets of approximately \$44 million, compared to \$39.8 million as of June 30, 1990. A comparison of PRIDE's Statement of Operations and Contributions and Changes in Capital Balances, as presented in PRIDE's financial statements for the fiscal years 1990-91 through 1992-93 is shown in Exhibit 4. As

shown in Exhibit 4, sales and general expenses increased by approximately \$880,000 (from \$5.4 million to \$6.3 million) from fiscal year 1990-91 to fiscal year 1992-93. Approximately one-half of this increase can be attributed to \$439,000 expended for new business development during fiscal year 1992-93. PRIDE's net income in Fiscal Year 1990-91 was \$3,908,700. PRIDE experienced a net loss of \$671,124 for Fiscal Year 1991-92. For Fiscal Year 1992-93, PRIDE returned to profitability with a net income of \$1,063,295.

Exhibit 3

**PRIDE Comparative Balance Sheets
At June 30, 1993, Compared to June 30, 1990**

Assets	June 30, 1993	June 30, 1990	Increase (Decrease)	
			Amount	Percent
Current Assets:				
Cash and Equivalents	\$ 625,687	\$ 3,066,202	(\$ 2,440,515)	(80%)
Accounts Receivable	10,021,034	8,638,039	1,382,995	16%
Inventories	9,216,147	7,604,827	1,611,320	21%
Other	1,216,348	335,444	880,904	263%
Total Current Assets	\$21,079,216	\$19,644,512	\$ 1,434,704	7%
Livestock	\$ 1,951,003	\$ 2,253,043	(302,040)	(13%)
Net Land, Improvements, Property and Equipment (less depreciation)	20,094,040	17,894,082	2,199,958	12%
Other Assets	911,293	—	911,293	—
Total Assets	<u>\$44,035,552</u>	<u>\$39,791,637</u>	<u>\$4,243,915</u>	11%
Liabilities and Capital Balance				
Current Liabilities	\$7,518,173	\$7,109,339	\$408,834	6%
Long-term Debt	1,828,225	2,294,015	(465,790)	(20%)
Capital Balance	34,689,154	30,388,283	4,300,871	14%
Total Liabilities and Capital Balance	<u>\$44,035,552</u>	<u>\$39,791,637</u>	<u>\$4,243,915</u>	11%

Source: Prison Rehabilitative Industries and Diversified Enterprises, Inc.

Exhibit 4

**PRIDE Comparative Statements of Operations,
Contributions and Changes in Capital Balances
For Fiscal Years 1990-91 Through 1992-93**

	<u>1992 -93</u>	<u>1991-92</u>	<u>1990-91</u>
Sales (including interdivisional)	\$73,142,314	\$70,812,014	\$80,984,575
Interdivisional Sales	<u>(1,961,246)</u>	<u>(2,976,337)</u>	<u>(5,500,766)</u>
Sales (excluding interdivisional)	71,181,068	67,835,677	75,483,809
Cost of Sales (excluding interdivisional)	<u>(61,996,930)</u>	<u>(60,542,417)</u>	<u>(64,836,040)</u>
 Gross Margin	 9,184,138	 \$ 7,293,260	 \$ 10,647,769
 Sales and General Expenses	 (\$6,281,430)	 (\$5,539,775)	 (\$5,398,198)
 Program Support:			
Inmate Services	(591,662)	(618,111)	(501,016)
State of Florida (DOC)	(1,068,655)	(1,070,468)	(818,788)
Victim Restitution	(219,075)	(224,414)	(101,133)
Discontinued Programs Earnings (Loss)		(470,580)	54,489
Provision for Restructuring Costs		(500,000)	
Accounting Change for Overhead Costs, Net		374,000	
Interest income (expense)	<u>39,979</u>	<u>84,964</u>	<u>25,577</u>
Net Income (loss)	1,063,295	(671,124)	3,908,700
Capital Balance, Beginning	<u>33,625,859</u>	<u>34,296,983</u>	<u>30,388,283</u>
Capital Balance, Ending	<u>\$34,689,154</u>	<u>\$33,625,859</u>	<u>\$34,296,983</u>

Source: Prison Rehabilitative Industries and Diversified Enterprises, Inc.

CHAPTER III

Findings and Recommendations

Section 1

PRIDE's Performance

In Auditor General report No. 11594, dated March 4, 1991, we reviewed PRIDE's performance in reducing inmate idleness within the state's prison system. We found that although PRIDE had increased its use of inmates from 1986 through 1990 at approximately the same rate of increase as the prison population, there was a continuing need for additional prison industries in order to further reduce inmate idleness. Because PRIDE uses inmates in the production of goods, the effectiveness of PRIDE's efforts in reducing inmate idleness is largely dependent upon continuing sales and future increases in sales. We therefore concluded that PRIDE's ability to further reduce inmate idleness will be affected by growth in the sales of PRIDE products and services.

PRIDE's fiscal year 1991-92 sales declined by \$7.7 million from the prior year, which adversely affected its ability to further reduce inmate idleness. In Finding 1.1, we discuss the reasons for the sales decline and the effects of declining sales on PRIDE's effectiveness in helping to reduce inmate idleness within the state's prisons. In Finding 1.2, we discuss efforts that could be taken to increase PRIDE's sales in the future, and constraints to increasing sales.

In report No. 11594, we also reviewed PRIDE's performance in providing education, training, and post-release job placement to its inmate workers. We found that PRIDE had made progress in the areas of job training and post-release job placement. For example, PRIDE had developed a program that awarded certificates to inmate workers who

had demonstrated competencies in general or specific skill areas. In addition, PRIDE had established an employment service in October 1987 to place ex-offenders in jobs upon their release from prison.

As expressed in s. 946.501(1), F.S., the purpose of correctional work programs is to provide inmates with useful activities that can lead to meaningful employment upon release in order to assist in reducing recidivism. Reducing the number of former inmates who are recommitted to prison is in the state's interest due to the potential harm done to society by future criminal acts, as well as the high costs to the state associated with arrest, conviction, and incarceration. Therefore, the Legislature needs information to determine the extent to which PRIDE's training and post-release job placement programs have had a positive impact in reducing the recommitment of former PRIDE inmate workers. In Auditor General Report No. 11594, we concluded that for the period of July 1988 to June 1990, PRIDE had not developed sufficient information to facilitate an evaluation of its performance in reducing recommitment. However, PRIDE had made progress in developing methods for obtaining the necessary information. In Finding 1.3 of this report, we discuss PRIDE's efforts to collect information for the period of July 1, 1991, through June 30, 1993, in order to facilitate a conclusive evaluation of PRIDE's impact in reducing recommitment.

Finding 1.1

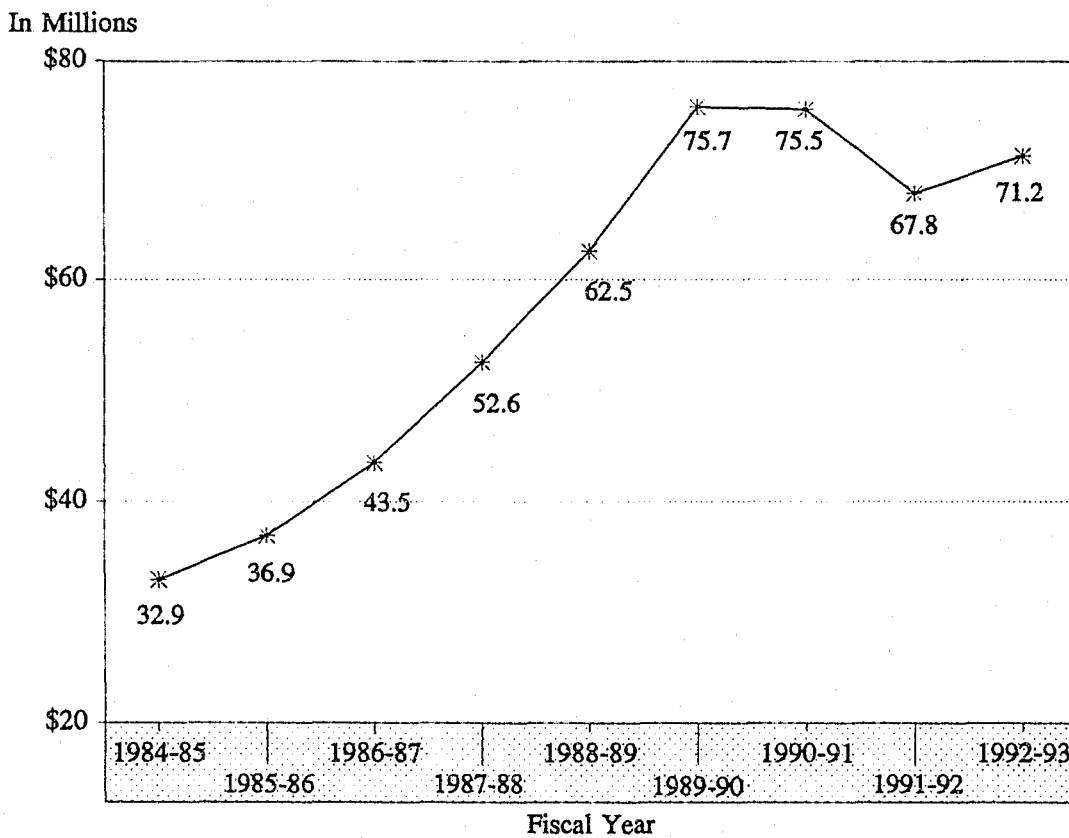
In fiscal year 1991-92, sales of PRIDE products and services declined for the first time in PRIDE's history, thereby impeding PRIDE's ability to work more inmates. As a result of declining sales, PRIDE's effectiveness in helping to reduce inmate idleness within the state's prison system has been diminished.

Since PRIDE assumed responsibility for administering all prison industries on July 1, 1984, sales of its products and services had increased steadily for each fiscal year until fiscal year 1989-90. As shown in Exhibit 5, PRIDE's sales had increased from \$32.9 million in fiscal year 1984-85, to \$75.7 million in fiscal year 1989-90. PRIDE's sales

for fiscal year 1990-91 remained relatively constant. In fiscal year 1991-92, however, PRIDE's sales were \$67.8 million, or a decline of \$7.7 million (10%) from the prior fiscal year. Although fiscal year 1992-93 sales increased by \$3.4 million (5%) from the prior year, sales for fiscal year 1992-93 were still lower than sales for fiscal year 1990-91.

Exhibit 5

Total PRIDE Sales
For Fiscal Years 1984-85 Through 1992-93



Source: Compiled by the Office of the Auditor General using PRIDE sales data.

PRIDE's second mission (s. 946.501(2)(b), F.S.) is to serve the security goals of the state through the reduction of inmate idleness. To meet this mission, PRIDE has established a goal of working 3,800 inmates by June 30, 1996. Because PRIDE's use of inmates is dependent on its sales, declining sales in the 1991-92 fiscal year impeded PRIDE's ability to increase the number of inmates worked. PRIDE's inmate usage had increased at a corresponding rate to increasing sales prior to the 1991-92 fiscal year. Due to declining sales, however, PRIDE's inmate usage was at approximately the same level for fiscal year 1992-93 as it had been in fiscal year 1989-90. Exhibit 6 shows the average number of inmates working in PRIDE industries from fiscal year 1987-88 through fiscal year 1992-93.³

Although PRIDE is only one of several work and program assignments available to inmates, PRIDE's use of inmates is essential to help reduce inmate idleness within the state's prison system.⁴ PRIDE's inability to increase the number of inmates worked since the 1989-90 fiscal year is problematic because the Department of Corrections has had a continuing need to reduce inmate idleness. For example, the Department needed an additional 2,940 inmate workstations within the state's major correctional institutions as of January 1993 to occupy all available inmates without featherbedding.⁵ According to a Department of Corrections official, idle inmates within the state's major correctional institutions typically cause problems such as vandalism and violence that ultimately result in increased costs to the state. Therefore, it is in the state's best interest to minimize the amount of inmate idleness occurring in the state's prisons.

³ On any given workday, a portion of PRIDE's inmate workstations may not be filled for one of three reasons: (1) the Department does not assign as many inmates as requested by PRIDE; (2) inmates do not show up for work because of sickness, disciplinary problems, or meeting conflicts such as parole hearings; or (3) PRIDE production needs may fluctuate so that some inmates are not needed. Therefore, the "average number of inmates worked" provides a more useful representation of PRIDE's performance in using inmates.

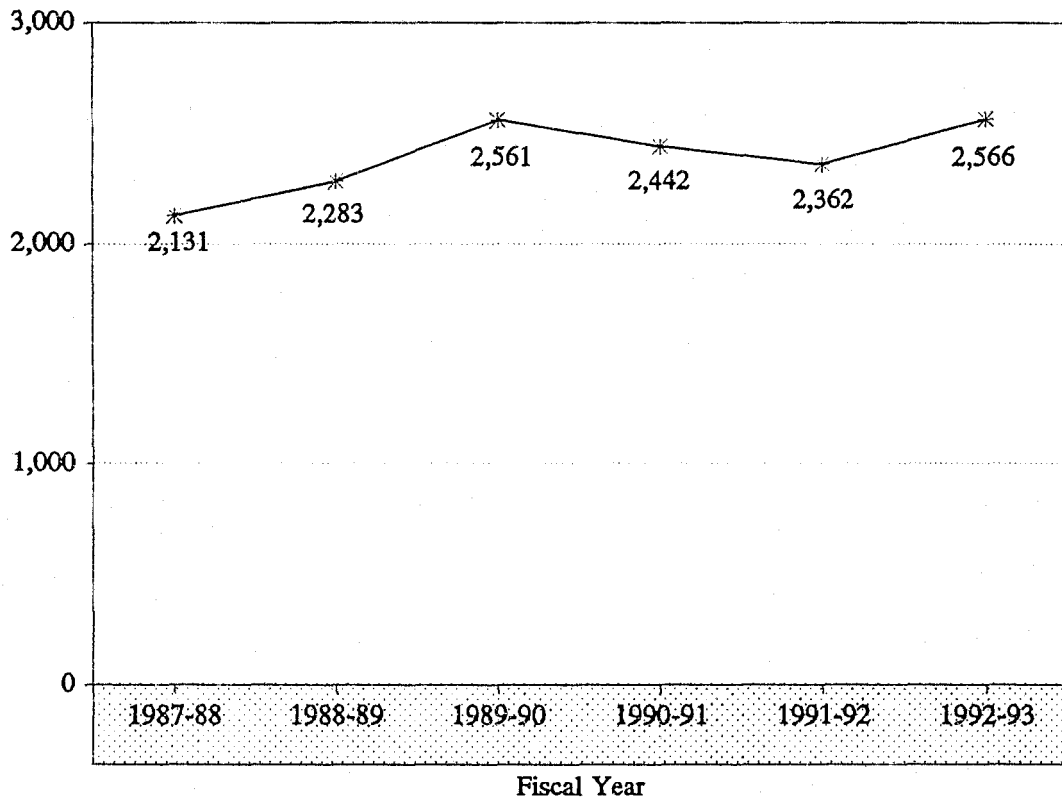
⁴ In addition to working in PRIDE, inmates may be assigned to a variety of work and program assignments, including performing jobs related to institutional maintenance and improvements, Department of Transportation work crews, and educational programs administered by the Correctional Education School Authority.

⁵ Featherbedding is the practice of assigning more inmates than are needed to some workstations to avoid having inmates with no work responsibilities at all.

Exhibit 6

PRIDE's Inmate Usage
For Fiscal Years 1987-88 Through 1992-93

Average
Number Worked



Source: Compiled by the Office of the Auditor General using PRIDE sales data.

Since PRIDE's sales decline limited PRIDE's effectiveness in reducing inmate idleness, we sought to determine why sales declined \$7.7 million in fiscal year 1991-92. We found that the primary factor contributing to the decline in PRIDE's sales from fiscal year 1990-91 to fiscal year 1991-92 was declining sales to state agencies. Of the \$7.7 million sales decline PRIDE experienced from fiscal year 1990-91 to fiscal year 1991-92, \$6.7 million (87%) was attributable to a decline in sales to state agencies. (See Exhibit 7.)

Exhibit 7

PRIDE Sales Decline From Fiscal Year 1990-91 To Fiscal Year 1991-92 by PRIDE Customers (in Millions)				
	Fiscal Year Sales		Dollar Decrease	Percent Decrease
	1990-91	1991-92		
State Agencies	\$58.0	\$51.3	\$6.7	12%
All Other Customers ¹	\$17.5	\$16.5	\$1.0	6%
Total Sales	<u>\$75.5</u>	<u>\$67.8</u>	<u>\$7.7</u>	<u>10%</u>

¹ All other customers includes sales to local governments, educational institutions, other states, and to U.S. Sugar Company.

Source: Compiled by the Office of the Auditor General using data from PRIDE's sales reports.

To determine the reasons for the sales decline to state agencies, we reviewed sales data for PRIDE's six largest state agency customers and interviewed the purchasing directors for these agencies. ⁶ Sales of PRIDE products and services for these six state agencies in fiscal year 1992-93 accounted for \$47.3 million (91%) of the \$52 million in sales to all state agencies. One possible explanation for declining sales would be customer dissatisfaction with PRIDE products. As reported in Auditor General report No. 11594, dated March 4, 1991, PRIDE has established quality assurance procedures for most of its products and has established a customer service component to resolve complaints about its

⁶ These six state agencies are: Department of Corrections, Department of Health and Rehabilitative Services, Department of Highway Safety and Motor Vehicles, Department of Labor and Employment Services, Department of Lottery, and Department of Transportation.

products to the customers' satisfaction. Our interviews with purchasing directors of these six state agencies indicated that they had experienced no major quality problems with PRIDE's products and services during the period of July 1, 1990, through June 30, 1993.

Our review determined that the decreases in state agency purchases primarily resulted from the changing demand for PRIDE's products and services by its major state agency customers. A secondary reason we identified had to do with the competitive bidding provision requiring PRIDE to bid on purchases of printing from state agencies. In Finding 2.1, we discuss the effects of the competitive bidding requirement on PRIDE's printing sales.

From our review of PRIDE sales data and interviews with the purchasing directors in the six state agencies that are PRIDE's largest customers, we identified factors that accounted for \$6.3 million (94%) of the \$6.7 million decrease experienced by state agencies from fiscal year 1990-91 to fiscal year 1991-92. These factors represent a change in demand for the PRIDE product or service the state agency had previously purchased from PRIDE. (See Exhibit 8.)

Exhibit 8

**Factors That Resulted in Decreased Demand
For PRIDE Products and Services by Six State Agencies
For Fiscal Year 1991-92**

State Agency	Reason for Decreased Demand	Amount
Department of Corrections	Reduction in number of prison beds added during fiscal year 1991-92 resulted in decreased purchases of PRIDE beds and linen.	\$2,700,000
Department of Health and Rehabilitative Services	Change in type of food product purchased by DHRS and consolidation and elimination of printed forms by DHRS resulted in decreased purchases of PRIDE products	680,000
Department of Highway Safety and Motor Vehicles	DHSMV established fleet servicing contract with automotive corporation, thus eliminating need for PRIDE vehicle renovation services	126,000
Department of Labor and Employment Security	DLES placement offices becoming more automated thus eliminating need for data processing by PRIDE	129,000
Department of Lottery	DOL did not purchase PRIDE furniture (play stations) for retail sales locations because additional furniture was not needed	2,000,000
Department of Transportation	Changed to replacement rather than renovation of old vehicles thus eliminating need for PRIDE vehicle renovation services	129,000
Department of Transportation	Change in paint specifications resulted in PRIDE product not meeting DOT specifications	550,000
Total		<u>\$6,314,000</u>

Source: Compiled by the Office of the Auditor General based on PRIDE documents and interviews with staff of six state agencies: Department of Corrections, Department of Health and Rehabilitative Services, Department of Highway Safety and Motor Vehicles, Department of Labor and Employment Security, Department of Lottery, and Department of Transportation.

Because a substantial portion of the decrease in PRIDE sales can be attributed to changes in demand for PRIDE's products and services, PRIDE should attempt to adapt its line of products and services to meet the needs of state agencies. Our review determined that PRIDE staff had worked with staff of some state agencies during fiscal year 1991-92 to respond to changing purchasing needs of the agencies. For example, PRIDE had developed new food products to meet the changing demands of the Department of Health and Rehabilitative Services and the Department of Corrections. In addition, PRIDE is continuing to work on developing a new traffic paint that will meet the Department of Transportation's specifications. These examples illustrate that PRIDE must continually develop new products in order to maintain sales at existing levels, and that PRIDE's efforts to develop new products during the 1991-92 fiscal year were not sufficient to offset the sales decline that occurred from fiscal year 1990-91 to fiscal year 1991-92. In Finding 1.2, we discuss efforts that could be taken to increase PRIDE's sales in the future, and constraints to increasing sales.

Finding 1.2

There are constraints that hinder PRIDE's ability to substantially increase the number of inmates worked. Unless PRIDE's sales increase substantially in the future, PRIDE will play a diminished role in reducing inmate idleness within a rapidly growing prison system.

To help the Department of Corrections reduce inmate idleness, PRIDE needs to substantially increase its sales. To identify efforts that could be taken to increase sales in the future, we reviewed PRIDE sales data and marketing records for the period of July 1, 1990, through June 30, 1993, and interviewed PRIDE officials. Our review determined that sales of existing PRIDE products and services is not likely to result in significant increases in PRIDE's sales. We identified two primary impediments to PRIDE's ability to develop new industries. First, PRIDE's guidelines prohibit its expansion into industries where Florida-based business already exist, thereby limiting PRIDE's expansion possibilities. Second, PRIDE needs to have sufficient capital to fund its expansion into new industries.

Unless PRIDE's sales increase substantially in the future, PRIDE will play a diminished role in reducing inmate idleness within a rapidly growing prison system.

Projections made by the Department of Corrections indicate the state's incarcerated population will be 66,431 by June 30, 1996, or a 31% increase over the 50,448 inmates incarcerated as of June 30, 1993. According to Department of Corrections officials, growth in the prison population generally results in a corresponding increase in inmate idleness. Therefore, due to the significant growth in the prison population and in the number of idle inmates expected by fiscal year 1995-96, PRIDE's use of inmates will need to increase substantially in the future in order to keep pace with these expected increases. Because PRIDE's inmate usage is dependent on its level of sales, PRIDE will need to substantially increase sales in order to help the Department further reduce inmate idleness over the next three years.

In carrying out its statutory mission to reduce inmate idleness, PRIDE has established a goal of working 3,800 inmates by June 30, 1996. This represents an increase of 48% over the 2,566 inmates worked as of June 30, 1993. If PRIDE is successful in meeting this goal, it will be working approximately 6% of the 66,431 inmates projected to be incarcerated by June 30, 1996. This percentage more closely approximates the percentage of the incarcerated population worked by PRIDE prior to 1990. As shown in Exhibit 9, PRIDE's use of inmates has decreased since June 1990 to approximately 5% of the prison population. Prior to June 1990, PRIDE had worked approximately 6% of the prison population.

Exhibit 9

**Percentage of PRIDE Inmate Workers to the
Total Incarcerated Population for the
Period of June 1988 to June 1993**

	June					
	1988	1989	1990	1991	1992	1993
Average Number of PRIDE Inmate Workers	2,131	2,283	2,561	2,442	2,362	2,566
Total Incarcerated Population	33,681	38,059	42,733	46,233	47,012	50,448
Percent of PRIDE Inmate Workers to Incarcerated Population	6.3%	6.0%	6.0%	5.3%	5.0%	5.1%

Source: Compiled by the Office of the Auditor General using data obtained from PRIDE and the Department of Corrections.

The sales demand for PRIDE products and services determines PRIDE's use of inmate labor. For example, PRIDE estimated that historically it has needed to generate approximately \$25,000 in sales for each inmate workstation in order to expand and operate PRIDE businesses.⁷ PRIDE would need to increase the number of inmates worked in June 1993 (2,566 inmates) by 1,234 inmates to achieve the goal of working 3,800 inmates by June 1996. Therefore, PRIDE would need to generate additional sales of approximately \$30 million in order to increase inmate usage by 1,234 inmates.⁸ This represents an increase in sales of 42% over the fiscal year 1992-93 net sales of \$71 million. PRIDE would need to increase sales by more than 10% per year over the next three years to obtain this level of sales.

⁷ PRIDE report to the Legislature, dated November 1991.

⁸ To estimate the amount of additional sales needed we multiplied the total sales needed for each inmate workstation (\$25,000) by the number of additional inmates needed (1,234).

To determine the feasibility of future annual sales increases of more than 10%, we reviewed PRIDE sales and marketing records for the past three years, and reviewed PRIDE's plans to develop new products and services. There are two primary methods available to PRIDE for increasing sales: (1) expanding sales of existing products and services to current and new customers; and (2) developing new products and services.

Expanding Sales of Existing Products and Services Not Likely

State Agencies. We interviewed the purchasing directors of the six state agencies that purchase the largest dollar volume of PRIDE products and services. When we asked these six purchasing directors whether they expected their agency's purchases from PRIDE would increase by 10% or more during fiscal year 1993-94, only one agency's purchasing director indicated that a 10% increase was probable. The other five purchasing directors indicated they expected only modest or no increases in purchases of PRIDE's existing products and services during fiscal year 1993-94. Therefore, based upon recent sales experiences (see Finding 1.1) and the observations of these purchasing directors, we believe it is unlikely that sales of existing PRIDE products and services to state agencies will substantially increase in fiscal year 1993-94.

Other PRIDE Customers. Sales to customers other than state agencies accounted for \$17 million (25%) of PRIDE's total sales of \$71 million for fiscal year 1992-93. For the period of July 1, 1990, through June 30, 1993, PRIDE made presentations to local government officials and displayed its products at trade shows. Despite these efforts, however, PRIDE was able to obtain only modest increases in its sales to customers other than state agencies. For example, sales to local government agencies and educational institutions increased by 16% and 7%, respectively, from fiscal year 1990-91 to fiscal year 1991-92 for a total increase of \$1 million.

According to PRIDE officials, there are several factors impeding PRIDE's ability to increase sales to local government entities. One impediment is that local

purchasing officials often prefer to purchase their goods and services from local vendors. Another impediment is that local governments frequently have different requirements for their products than other PRIDE customers. Based on these factors and PRIDE's recent sales history, PRIDE is not likely to obtain large enough increases in sales to customers other than state agencies to increase total sales by 42% (\$30 million) by fiscal year 1995-96.

PRIDE has not Developed New Industries

We reviewed PRIDE's efforts to develop new industries for the period of July 1, 1990, through June 30, 1993. Although PRIDE staff had reviewed ideas or proposals for 33 new businesses, PRIDE did not add any new industries during that period. PRIDE's President indicated that PRIDE's failure to develop new industries during that period was primarily due to declining sales. She added that although PRIDE did not add any new industries during that period, PRIDE did consolidate some industries and restructured organizationally in order to become more efficient in its operations.

Although PRIDE did not add any new industries during the period of July 1, 1990, through June 30, 1993, PRIDE's Board approved plans in December 1992 for creating a new modular construction industry that will manufacture modular wall panels that are used in the construction of buildings. PRIDE officials indicated that a lucrative market existed among government customers for this industry, and that the skills gained by inmates working in this industry would serve PRIDE's training mission. Although this industry had not commenced operations as of June 30, 1993, PRIDE's business plan for this new industry projected it would use a maximum of 85 inmates. Therefore, this new industry alone would not substantially increase PRIDE's use of inmates over the next three years.

Impediments to Developing New Industries

We identified two primary impediments to PRIDE's ability to develop new industries. First, PRIDE's guidelines prohibit its expansion into industries where Florida-based businesses already exist, thereby limiting PRIDE's expansion possibilities. Although PRIDE's third highest statutory mission is the reduction of cost to state government using enterprises that do not unreasonably compete with private enterprise, PRIDE has established guidelines that specify that a proposed industry should not be established if a Florida-based business is already involved in that specific industry. PRIDE officials indicated that PRIDE has been reluctant to develop any new industry that directly competes with any existing business in Florida due to criticism that it has received in the past about its industries unreasonably competing with the private sector. As a result, PRIDE's ability to expand into new industries is further limited.

PRIDE's guidelines governing its efforts to develop new industries may also have detrimental effects on PRIDE's ability to accomplish its highest priority mission. For example, PRIDE's highest priority mission is the vocational training of inmates to enable ex-inmates to obtain post-release employment in order to help reduce recommitment. Inmates trained in a PRIDE industry where no Florida-based business exists are less likely to obtain post-release employment that would utilize the skills they gained while working in PRIDE.

Second, PRIDE needs to have sufficient capital to fund expansion into a new industry. Developing new industries typically involves making renovations to existing buildings or constructing new buildings, acquiring equipment, and hiring and training personnel. PRIDE officials indicated that development of some new industries during fiscal year 1992-93 had to be postponed due to lack of sufficient resources. For example, although PRIDE's Board approved a braille textbook conversion industry in June 1992, the development of this new industry was postponed until the 1993-94 fiscal year because of lack of sufficient resources.

Conclusions and Recommendations

We concluded that PRIDE needs to substantially increase its sales if it is to help reduce inmate idleness within the growing state prison system. To achieve its goal of working 3,800 inmates by June 30, 1996, we estimated PRIDE will need to increase its sales of \$71 million in fiscal year 1992-93 by \$30 million over the next three years. Although constraints exist to meeting this goal, it is critical that PRIDE increase its sales in order to help reduce inmate idleness within a rapidly growing prison system. Our review determined that sales of existing PRIDE products and services to current customers are not likely to increase by \$30 million by fiscal year 1995-96. Therefore, PRIDE's best hope for increasing sales significantly is to develop new industries.

We concluded that adding one new industry would not be sufficient to significantly increase sales and thus PRIDE needs to establish several new industries to be more effective at helping the Department reduce inmate idleness. To direct its efforts in developing new industries, PRIDE has established guidelines that restrict its expansion to industries that do not compete with any existing business in Florida, thereby limiting PRIDE's expansion opportunities. These guidelines may have detrimental effects on PRIDE's ability to accomplish its two highest priority statutory missions: the vocational training of inmates that leads to post-release employment and a reduced recommitment rate, and the reduction of inmate idleness within the state's prisons.

If it is to be helpful in reducing inmate idleness within a rapidly growing prison system, PRIDE will need to expand its operations by developing several new industries. To accomplish this objective, PRIDE needs to expand rather than limit its new business opportunities. We therefore recommend that PRIDE modify its guidelines relative to its efforts to develop new industries in order to enable it to develop several new industries, including some industries that are similar to existing Florida-based businesses. PRIDE's emphasis in developing new industries should be related to addressing its two highest priority missions (the vocational training of inmates that leads to post-release employment and a

reduced recommitment rate, and the reduction of inmate idleness). To provide further direction to PRIDE's efforts in developing new industries, we recommend that the Legislature establish a definition for unreasonable competition within s. 946.501, F.S., that takes into consideration the marketability of skills inmates receive from training in PRIDE's industries.

To assist PRIDE in funding its new industries, we recommend PRIDE consider alternative funding sources. For example, we identified four options PRIDE could consider:

- PRIDE could request a one-time general revenue appropriation from the Legislature to fund new industries;
- PRIDE could request the Legislature authorize a loan to be repaid with interest;
- PRIDE could obtain long term financing from private sources; or
- PRIDE could designate a specific portion of its net income to fund new industries.

Finding 1.3

Available data from PRIDE indicate that PRIDE's training and post-release job placement efforts have benefitted a number of PRIDE inmate workers. Preliminary data suggests that training and job placement programs have had a positive impact in reducing the recommitment rates of some former PRIDE inmate workers. However, due to limitations with the PRIDE data, further information is needed in order to determine the extent to which PRIDE's training and job placement programs are helpful in reducing recommitment.

Since July 1, 1991, PRIDE has collected information relative to its training and post-release job placement efforts and the recommitment of former PRIDE inmate workers. According to available data, PRIDE's inmate training and post-release job placement programs have benefitted a number of the inmates that have worked for PRIDE.

For example, PRIDE data indicate that 3,517 (32%) of the 11,122 inmates that worked in a PRIDE industry for the period of July 1, 1991, through June 30, 1993, earned training certificates.⁹ This means that approximately one-third of all PRIDE inmate workers during this period gained vocational skills that, at a minimum, would prepare them for obtaining employment upon their release from prison.

PRIDE placement data for the period of July 1, 1992, through June 30, 1993, indicate that 317 (46%) of the 695 inmates released from prison directly from PRIDE were placed in jobs by PRIDE and stayed employed for at least 30 days. PRIDE placement data also indicate that the former PRIDE inmates who were placed in jobs that matched the training they received in PRIDE had slightly higher salaries than those whose job placements did not match their industry training. Of the 317 inmates placed in 373 jobs by PRIDE during the period of July 1, 1992, through June 30, 1993, there were 97 (26%) job placements that matched the training inmates received while in PRIDE. For the period of July 1, 1991, through December 31, 1992, the starting annual salaries for 151 ex-inmates whose job placement matched their training was an average of 8% higher than the salaries of 436 ex-inmates whose placement did not match their training. These data suggest that approximately one-half of all ex-PRIDE inmate workers found employment upon their release from prison, and that the training inmates received in PRIDE may have resulted in higher salaries for some inmates.

Preliminary data also suggest that PRIDE's training and job placement programs have had a positive impact in reducing the recommitment rates of some former PRIDE inmate workers.¹⁰ For example, the recommitment rates of ex-PRIDE inmates who were placed in jobs by PRIDE upon their release from prison are lower than those

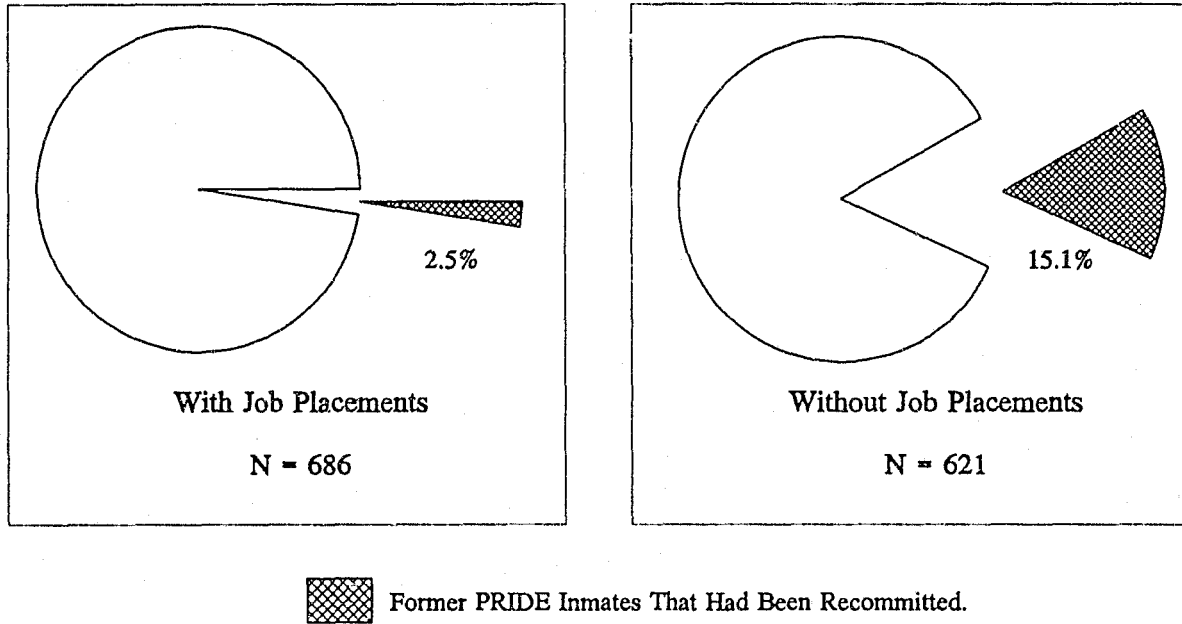
⁹ Inmates trained in certain PRIDE industries are eligible to receive a training certificate upon the successful completion of minimum competency requirements in a specific job or skill area. Upon their release from prison, former PRIDE inmates who earned certificates may provide copies of their certificates to potential employers.

¹⁰ To track the recommitment rates of former PRIDE inmates, PRIDE has developed an automated system that captures specific demographic information on 1,307 ex-inmates who were released directly from PRIDE during the period of July 1, 1991, through April 30, 1993. PRIDE's data indicate that 111 (9%) of these 1,307 ex-inmates had been recommitted to a state correctional institution as of April 30, 1993.

ex-inmates who were not placed in jobs. PRIDE recommitment data indicate that 17 (2.5%) of the 686 former PRIDE inmates placed in jobs during the period of July 1, 1991, through April 30, 1993, had been recommitted as of April 30, 1993, while 94 (15.1%) of the 621 ex-inmates who were not placed in jobs had been recommitted. (See Exhibit 10.) This would indicate that PRIDE's placement efforts may be a positive factor in helping to reduce recommitment.

Exhibit 10

Comparison of Recommitment Rates
Former PRIDE Inmates Placed in Jobs vs.
Former PRIDE Inmates Without Job Placements
As of April 30, 1993

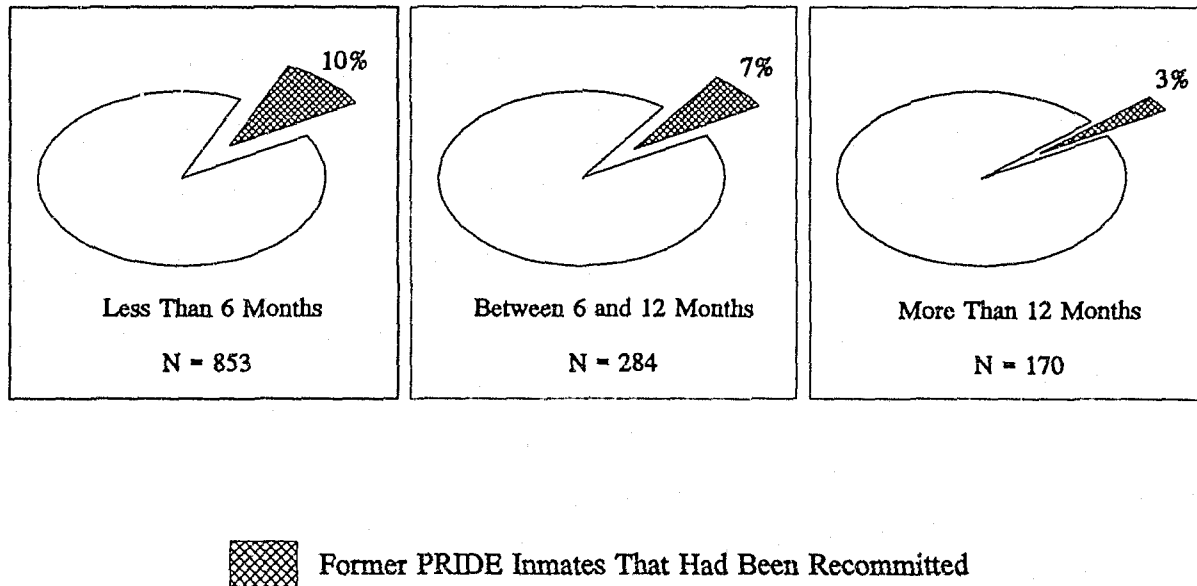


Source: Compiled by the Office of the Auditor General using PRIDE data.

Similarly, ex-inmates who worked in PRIDE for 12 months or longer had lower recommitment rates than those ex-inmates working in PRIDE for less than 12 months. As shown in Exhibit 11, PRIDE data indicate that less than 3% of the ex-inmates working in PRIDE for more than 12 months were recommitted, while 7% of the ex-inmates who had worked for 6 to 12 months and 10% of the ex-inmates working for less than 6 months were recommitted. This would suggest that the longer inmates are trained in a PRIDE industry the less likely they are to be recommitted to prison.

Exhibit 11

Comparison of Recommitment Rates
Of Former PRIDE Inmates in PRIDE Programs
As of April 30, 1993



Source: Compiled by the Office of the Auditor General using PRIDE data.

Although these data suggest that PRIDE has had a positive impact in reducing recommitment, we identified three limitations with these data that hinder a definitive conclusion about PRIDE's impact on reducing recommitment. First, conclusions based on PRIDE's recommitment data are limited because PRIDE has tracked such data for a relatively short period of time. Since PRIDE's recommitment data captures information about the recommitment status as of April 30, 1993, of 1,307 ex-inmates who were released for the period of July 1, 1991, through April 30, 1993, some of the inmates included in PRIDE's sample may have been released only a short time earlier. According to a U.S. Department of Justice publication dated November 1984, the highest incidence of recommitment is likely to occur from six months to one year after release, but that some

recidivism is likely to occur beyond the three-year mark. Therefore, to provide more reliable information about the recommitment of former PRIDE inmates, PRIDE should capture the recommitment rates of these same 1,307 inmates at a point 36 months after the last inmate was released, or at April 30, 1996.

Second, PRIDE does not collect specific data that could provide better information on the impact of PRIDE's training efforts on obtaining post-release job placement and reducing recommitment. For example, PRIDE has not collected recommitment data regarding the level of training former inmates had received in PRIDE (i.e., whether the ex-offender received a training certificate) or data regarding inmates who were not still working for PRIDE at the time of release. By collecting such information, PRIDE would be able to more definitively evaluate the effects of its training program on helping ex-inmates obtain employment and to reduce recommitment.

Third, PRIDE recommitment data does not include comparison populations. To provide more conclusive results, any evaluation of PRIDE's impact on reducing recommitment should compare the recommitment rates of ex-PRIDE inmates with the recommitment rates of those ex-inmates who did not participate in the prison industries program. However, in establishing its comparison populations, PRIDE should control for demographic factors that may affect recommitment, such as age, educational level, and prior convictions.¹¹ As of September 1993, PRIDE and the Department of Corrections were working on designing a study to include a comparison of the recommitment rates of ex-PRIDE inmates with ex-inmates who did not work in PRIDE. Because the study was in its early design phase at the completion of our audit fieldwork, we were unable to make a determination of its usefulness in evaluating PRIDE's impact in reducing recommitment.¹²

¹¹ According to a U.S. Department of Justice publication, dated April 1989, recidivism rates are higher for younger males who did not graduate from high school and had fewer prior arrests.

¹² This study is intended to help the Department fulfill the requirements of s. 946.516(2), F.S., which directs the Department of Corrections to provide information in its annual reports on the recidivism rates of PRIDE inmates.

To supplement the quantitative data collected to conduct the study, PRIDE could obtain qualitative information in order to enable a more conclusive evaluation of PRIDE's impact on reducing recommitment. For example, PRIDE could interview former inmate workers who have returned to prison to determine whether there are additional practices that PRIDE could adopt to help achieve better results. In addition, PRIDE could interview employers of former PRIDE workers to determine whether the skill levels the ex-inmates brought to their jobs were adequate and to solicit their input about the quality of PRIDE's training efforts. Such information could be useful to PRIDE's management staff in improving its training and job placement programs in order to achieve desired results.

Conclusions and Recommendations

To facilitate a more conclusive evaluation of its efforts to accomplish the statutory mission relative to reducing recommitment, PRIDE and the Department of Corrections should continue to work together to conduct a study comparing the recommitment rates of populations of former PRIDE and non-PRIDE inmates. To accomplish this study, we recommend that PRIDE continue to track information about ex-inmates, including additional data to allow for a more in-depth analysis. For example, PRIDE should collect data on whether inmates that earn training certificates have lower recommitment rates than those inmates without certificates. To supplement the quantitative data collected for the study, PRIDE should consider obtaining qualitative information, such as interviewing ex-PRIDE inmates that have been recommitted and employers of ex-inmates. In addition to facilitating a more conclusive evaluation of PRIDE's performance in meeting its primary mission, such information could also be useful to PRIDE's management to modify and improve its existing training and job placement programs to improve program results.

Section 2

Review of Printing Done by PRIDE for State Agencies

PRIDE's printing industry provides training opportunities for a large number of inmates working in PRIDE, and generates a sizable portion of PRIDE's total sales. For example, PRIDE worked approximately 370 inmates in its printing industry during June 1993, and PRIDE's printing sales of \$7.8 million for fiscal year 1992-93 represented approximately 11% of PRIDE's total sales of \$71.2 million for that fiscal year. Because this one industry serves PRIDE's training mission, while at the same time producing a large amount of its sales, the success of PRIDE's printing industry is critical to the PRIDE program.

Section 946.515(4), F.S., exempts state agency purchases of PRIDE goods and services from the provisions of Ch. 287, Part 1, F.S., relating to the procurement of personal property and services by the state. Section 946.515(4), F.S., enables state agencies to purchase goods and services from PRIDE without following certain purchasing procedures, such as competitive bidding requirements, thereby enabling purchasing staff to save administrative costs by more quickly making purchasing decisions. However, Ch. 90-335, Laws of Florida, which took effect on October 1, 1990, amended s. 283.33(5), F.S., to require state agency printing purchases from PRIDE in excess of \$10,000 to be subject to the state's competitive bidding requirements. In Finding 2.1, we discuss the effects of the competitive bidding provision on sales of PRIDE printing.

Section 283.31, F.S., (Ch. 90-335, Laws of Florida) requires the Auditor General to conduct a financial-related and performance audit of PRIDE every three years. This audit reviews the period of July 1, 1990, through June 30, 1993. Our audit is required by law to include a review of the cost of materials used, the cost of labor, the cost of overhead, and the amount of profit made by PRIDE for printing done for state agencies. Information regarding the cost of materials, expenses, inmate labor, and profit for the

printing industry is presented in Appendix D. Since PRIDE does not allocate corporate overhead costs to industry cost centers we could not determine the indirect overhead costs nor the net profit for the printing industry. In July 1993, PRIDE officials indicated that PRIDE was in the process of changing its accounting system to facilitate the allocation of corporate overhead to specific industries.

Finding 2.1

PRIDE's failure to win competitive bids has contributed to a \$1.4 million decline in sales of PRIDE's printed products to state agencies from fiscal year 1990-91 to fiscal year 1992-93. As a result of this decline in sales, PRIDE's printing industry used fewer inmates and produced less net income.

Since the competitive bidding provision took effect in October 1990, sales of PRIDE's printed products to state agencies had declined by \$1.4 million from \$6.8 million in fiscal year 1990-91 to \$5.4 million in fiscal year 1992-93. To determine the extent to which the decline in sales of PRIDE printed products can be attributed to the statutory provision requiring PRIDE to competitively bid on state agencies' printing jobs, we analyzed State Automated Management Accounting System (SAMAS) and PRIDE printing sales data, and data for 84 printing purchases made by four state agencies during the period of July 1, 1990, through June 30, 1993.¹³ As shown in Exhibit 12, the primary factor contributing to the decline in sales of PRIDE's printed products for the period of July 1, 1990, to June 30, 1993, is declining sales to state agencies. According to PRIDE sales data, sales to state agencies had declined by approximately \$1.4 million from fiscal year 1990-91 to fiscal year 1992-93. In contrast, sales to local government agencies and out-of-state customers increased during this same period by approximately 65% and 37%, respectively. Sales to these entities increased by approximately \$500,000.

¹³ The four state agencies are: Department of Health and Rehabilitative Services, Department of Highway Safety and Motor Vehicles, Department of Labor and Employment Security, and Department of Transportation.

Exhibit 12

**Comparison of PRIDE Sales for Printed Products
Fiscal Years 1990-91 and 1992-93 by Customer Category**

Customer	Fiscal Year		Increase (Decrease)
	1990-91	1992-93	
State Agencies	\$6,846,597	\$5,382,639	(21%)
Local Government	481,919	795,266	65%
Education	720,286	614,562	(15%)
Out-of-State	763,055	1,041,994	37%
Other Customers	18,645	6,605	(65%)
Total	<u>\$8,830,502</u>	<u>\$7,841,066</u>	(11%)

Source: PRIDE Printing Sales data.

Sales of printing to state agencies has steadily declined since the statutory provision requiring state agencies to competitively bid purchases of printing from PRIDE in excess of \$10,000 took effect in October 1990. Therefore, we sought to determine the extent to which losses in its competitive bid business contributed to the printing sales decline and whether such losses resulted from noncompetitive bids. In reviewing SAMAS data, we found that state agency expenditures for printing from vendors other than PRIDE had remained relatively constant for the period of July 1, 1990, through June 30, 1993. Therefore, the primary reason for the sales decline to state agencies can be attributed to losses in competitive bids. For example, state agency purchases of printing from PRIDE in excess of \$10,000 declined by approximately \$750,000 from fiscal year 1990-91 to fiscal year 1992-93, while purchases of PRIDE printing under \$10,000 declined by approximately \$276,000. While all state agency purchases of printing from PRIDE declined, the greatest amount of decline can be attributed to losses in PRIDE's competitive bid business.

We sought to determine how PRIDE's bids on the printing jobs it was not awarded compared to the winning bids. Since PRIDE did not systematically collect information about its competitive bids, we were not able to review all of the bids PRIDE had made since the statutory provision requiring PRIDE to competitively bid printing jobs became effective on October 1, 1990. However, we reviewed a limited sample of 84 printing purchases over \$10,000 from four state agencies for the period July 1, 1990, through June 30, 1993. Of the 84 printing purchases we reviewed, 15 were competitive bids. PRIDE was awarded 8 of the 15 competitive bids. For the 7 competitive bids PRIDE was not awarded, PRIDE's bid was higher than the winning bid by a range of 8% to 68%.

Our review determined that as a result of the change in the statute that requires PRIDE to competitively bid on printing jobs, PRIDE has lost some printing jobs that it had previously received. For example, the loss of one printing job that PRIDE had previously produced accounted for more than \$280,000 of the \$1.4 million decline in printing sales to state agencies. In April 1991, PRIDE lost a bid for the driver's handbook for the Department of Highway Safety and Motor Vehicles. PRIDE's bid on the driver's handbook was \$61,750 (20%) higher than the winning bid of \$312,650. However, two of the five bids received for the driver's handbook job were higher than PRIDE's bid.

Our review also identified limitations on PRIDE's ability to bid on some printing jobs. Of the 84 printing purchases in our sample, PRIDE did not submit bids on 55 printing jobs. For example, PRIDE was not capable of doing the work in 18 jobs, it was unable to meet the delivery schedule required by the bid specifications for 7 jobs, and it was ineligible to bid for a variety of reasons for 19 jobs.¹⁴ In the remaining 11 jobs, PRIDE either did not choose to make a bid for whatever reason or the reason for PRIDE's not bidding was not documented in the agency files. Although there are limits to the number of

¹⁴ The reasons for PRIDE's ineligibility to bid on certain printing jobs include bids reserved for minority vendors pursuant to s. 287.042(4), F.S.; sole source and emergency purchases as proscribed by Ch. 287, F.S.; print jobs that have certain statutory restrictions which preclude PRIDE's involvement, such as s. 319.23(10), F.S., requiring the Department of Highway Safety and Motor Vehicles to use security requirements in the preparation and issuance of certificates of title; and a PRIDE policy prohibiting the acceptance of printing jobs that involve the sale of advertising.

bids PRIDE can make, PRIDE officials indicated that PRIDE could increase the number of printing jobs it bids on.

According to PRIDE documents, PRIDE increased the number of bids it made from fiscal year 1991-92 to fiscal year 1992-93. In reviewing PRIDE marketing records, we found that PRIDE had increased the number of bids it had made by 13% from fiscal year 1991-92 to fiscal year 1992-93. However, PRIDE did not distinguish between formal bids and informal quotes. PRIDE needs to obtain better information on its competitive bids in order to enable PRIDE's management to evaluate each bid and to make future bids more competitive.

While PRIDE is limited somewhat in the number of bids it can make, we concluded that PRIDE could make more bids. We therefore recommend that PRIDE evaluate its bidding process and develop a strategy to bid on more state agencies' printing jobs. To accomplish this goal, PRIDE should work with purchasing staff in state agencies on ways to meet potential printing needs, and should develop plans to achieve greater flexibility in its scheduling of printing jobs. By bidding on more printing jobs PRIDE should be awarded more of the state agencies' printing jobs.

To help PRIDE's staff make better bids, we recommend that PRIDE keep separate data on the formal, competitive bids it makes, and to evaluate the results of each losing bid. Information on PRIDE's formal bids would help PRIDE's management better determine future bids.

Section 3 Accountability

Evaluations of government programs are undertaken for a variety of reasons, including to monitor progress in meeting program goals and objectives and to meet accountability requirements. To effectively evaluate performance in meeting statutory missions, government programs should have a system for measuring and reporting their effectiveness. We reviewed PRIDE's efforts to develop goals, objectives, performance measures, and benchmarks that address each of its statutory missions, and to collect information that could be used to evaluate its performance in meeting its statutory missions.

We reviewed PRIDE's 1991 and 1992 annual reports to determine whether they contained sufficient information to enable an evaluation of PRIDE's performance in meeting its statutory missions. Section 946.516(1), F.S., requires PRIDE to submit a report each year to the Governor and Legislature on the status of the prison industries program. In addition, PRIDE is required to submit to the Department of Corrections, the Governor, and the Legislature an annual independently audited financial statement and such other information as may be requested by the Legislature, together with recommendations relating to provisions for reasonable tax incentives to private enterprises which employ inmates, parolees, or former inmates who have participated in the prison industries program. The information contained in these reports are the primary source of information available to the Legislature for oversight purposes. Therefore, these reports should contain sufficient information to enable an assessment of PRIDE's performance in meeting its statutory missions.

To determine the adequacy of PRIDE's system for measuring and reporting its performance in meeting its statutory missions, we reviewed PRIDE's efforts to develop performance measures and to collect information that could be used to evaluate its effectiveness. We also reviewed PRIDE's 1991 and 1992 annual reports to determine

whether they contained sufficient information to enable an evaluation of PRIDE's performance in meeting its statutory missions. We found that:

- PRIDE had not developed performance measures or benchmarks as of July 1993 that could be useful in evaluating PRIDE's performance in achieving its statutory missions. As a result, the Legislature does not know the extent to which PRIDE is accomplishing its statutory missions; and
- PRIDE annual reports to the Legislature contain insufficient information to enable the Legislature to evaluate PRIDE's performance to accomplish its missions. The reports do not provide comparative data from prior years, and the reports tend to provide anecdotal rather than comprehensive evaluation data. In addition, PRIDE's annual reports contain information about the amount of finished goods purchased for resale that is misleading due to the narrow definition that PRIDE uses for reporting purposes.

Finding 3.1

As of July 1993, PRIDE had not developed performance measures or benchmarks that could be useful in evaluating PRIDE's performance in achieving its statutory missions. As a result, the Legislature does not know the extent to which PRIDE is accomplishing its statutory missions.

To assess whether PRIDE is accomplishing its statutory missions, the Legislature needs information on PRIDE's performance. To provide the Legislature with sufficient information on its performance, PRIDE's management needs to establish a system for measuring its performance relative to its statutory missions. In establishing such a system, PRIDE needs to develop goals and objectives related to each of its statutory missions, and to establish and collect information on performance measures and benchmarks related to the goals and objectives.

Although PRIDE had assumed responsibility for administering all prison industries by July 1, 1984, PRIDE had not established performance measures or benchmarks as of July 1993. However, in its June 1992 strategic plan, PRIDE had developed goals and

objectives and identified 43 strategies related to its statutory missions. Our review determined that some of these strategies could be useful in developing performance measures, and that information that PRIDE has collected since the June 1992 strategic plan was established could be useful in developing benchmarks.

According to a 1990 Governmental Accounting Standards Board publication, there are four primary types of performance measures: input measures, which report the amount of resources used for a specific purpose or program; output measures, which report what the program does; outcome measures, which describe the results or effect of the program; and efficiency measures, which identify the cost per unit of output or outcome. Any evaluation of PRIDE's efforts to accomplish its missions is incomplete unless it includes information related to each of these types of measures.

Although PRIDE had not developed performance measures or benchmarks as of July 1993, we identified two factors that could expedite the development of performance measures and benchmarks. First, we determined that some of the strategies contained in PRIDE's June 1992 strategic plan could be useful in developing performance measures. While PRIDE's President indicated that these strategies were established to provide direction to PRIDE's activities rather than to serve as specific measures that can be used to evaluate PRIDE's performance, we identified some strategies that provide specific measures of PRIDE's performance in meeting its missions. For example, two of these strategies involved increasing the percentage of inmates that earn training certificates to 75% of all PRIDE inmate workers by June 1996 and increasing the percentage of inmates that are placed in jobs upon their release from prison to 60% of all former PRIDE inmates available for employment by June 1995. These two strategies provide measures of PRIDE's training and job placement efforts, and thus could be useful in developing performance measures related to PRIDE's first mission. We concluded that the strategies contained in its June 1992 strategic plan could provide PRIDE management with the framework for developing performance measures that address each of its statutory missions.

The second factor we identified is that PRIDE has collected information on the strategies included in its June 1992 strategic plan that should facilitate the establishment of benchmarks. PRIDE's President indicated that the primary obstacle to developing benchmarks was the lack of available information relative to PRIDE's performance in meeting its statutory missions. She added that PRIDE has collected data, since the June 1992 strategic plan was established, that would be useful in developing benchmarks. In reviewing data relative to PRIDE's strategic plan strategies for the period of July 1, 1991, through June 30, 1993, we concluded that PRIDE management could use such data to establish benchmarks. For example, PRIDE management could use certificate and job placement data to establish benchmarks relative to PRIDE's training and job placement efforts.

To facilitate an evaluation of PRIDE's performance, we recommend that PRIDE establish specific performance measures that address each of its statutory missions, including each of the four types of performance measures, where appropriate. For example, outcome measures of PRIDE's training and job placement programs should include a measure of the rate of recommitment to prison of inmates who worked in PRIDE. Such a measure would provide the Legislature with a means of assessing PRIDE's progress in accomplishing its primary statutory goal, the meaningful employment of inmates upon their release that leads to a reduction in the number of inmates who are recommitted to prison.

Finding 3.2

PRIDE annual reports to the Legislature contain insufficient information to enable the Legislature to evaluate PRIDE's performance to accomplish its missions. The reports do not provide comparative data from prior years, and the reports tend to provide anecdotal rather than comprehensive evaluation data. In addition, PRIDE's annual reports contain information about the amount of finished goods purchased for resale that is misleading due to the narrow definition that PRIDE uses for reporting purposes.

PRIDE is required by s. 946.516, F.S., to submit a report to the Governor and Legislature each year on the status of the prison industries program. These annual reports should include a breakdown of the amount of non-inmate labor used, work subcontracted to other vendors, use of consultants, finished goods purchased for resale, and the number of inmates working in the prison industries program at the time of the report.

To determine whether PRIDE's annual reports contain the information required by law, we reviewed PRIDE's 1991 and 1992 annual reports, and interviewed PRIDE staff. While PRIDE has generally reported the information required by law, we identified two primary limitations to the information presented in PRIDE's annual reports. First, PRIDE's annual reports do not provide sufficient information to enable the Legislature to assess the extent to which PRIDE has been successful in meeting statutory missions, such as reducing recidivism or reducing inmate idleness within the state's prisons. Second, information presented in PRIDE's 1991 and 1992 annual reports about the amount of finished goods purchased for resale is misleading due to the narrow definition used by PRIDE for reporting purposes.

PRIDE's Performance in Meeting its Statutory Missions. Although organized into sections dealing with its four statutory missions, PRIDE's annual reports provide limited information about PRIDE's performance in meeting its missions. For example, in the section dealing with PRIDE's training and job placement mission, PRIDE's 1992 annual report indicated that PRIDE inmate workers earned 3,780 certificates. Because

an inmate may earn more than one certificate while working in PRIDE, the total number of certificates may not be as valid an indicator of PRIDE's performance in training inmates as the number of inmates who earn certificates. In addition, the number of inmates receiving certificates would be more useful if it could be compared to the total number of inmates who worked in PRIDE for sufficient time to have earned certificates.

PRIDE's 1992 Annual Report indicated that PRIDE placed 406 ex-offenders in a total of 456 jobs upon their release, and that 389 inmate workers were provided with information to assist them in their effort to secure housing, transportation, and tools for their jobs. Information on the number of ex-inmates placed in jobs by PRIDE and the number of ex-inmates receiving post-release assistance would be more useful if it were compared to the total number of former PRIDE inmates released during the same period of time and to PRIDE's previous performance in this area.

In reporting its efforts to reduce inmate idleness, PRIDE has reported the total number of inmates trained annually in PRIDE industries, the total number of hours worked by these inmates, and the number of inmate workstations within PRIDE industries. Such information would be more meaningful if compared to previous performance or to some indicator of success, that would enable the Legislature to assess PRIDE's progress in reducing recommitment or reducing inmate idleness within the state's prisons.

Another limitation to the information provided by PRIDE's annual reports for evaluation purposes is the lack of recommitment data. Because PRIDE's primary statutory mission is meaningful employment of inmates upon release that leads to a reduction in the number of inmates who are recommitted to prison, PRIDE's annual reports should include information on the recommitment rates of former PRIDE inmate workers. PRIDE's 1991 and 1992 annual reports profiled 10 individuals who reportedly benefitted from PRIDE's training and job placement programs. Although information about PRIDE's success with these 10 individuals is valuable, the information provided is not sufficient to fully assess PRIDE's performance in helping to reduce recommitment. In order to make such an

assessment, the Legislature needs information about the extent to which PRIDE's programs have affected the recommitment rates of all ex-inmates who worked in PRIDE. As addressed in Finding 1.3, PRIDE and the Department of Corrections were working as of September 1993 on designing a study to include a comparison of the recommitment rates of ex-PRIDE inmate workers with ex-inmates who did not work in PRIDE.

PRIDE's Use of Finished Goods Purchased for Resale. Because the primary purpose of the prison industries program is to train inmates in work skills, PRIDE is required by s. 946.516, F.S., to annually report the amount of non-inmate labor it uses, work that is subcontracted to other vendors, use of consultants, and finished goods purchased for resale. To determine whether PRIDE had provided the Legislature with the information required by s. 946.516, F.S., we reviewed PRIDE's 1991 and 1992 annual reports to the Legislature. While PRIDE has generally reported on the information required by law, the information about PRIDE's use of finished goods purchased for resale was in our opinion misleading primarily due to the narrow definition PRIDE uses for reporting purposes.

PRIDE has interpreted finished goods purchased for resale to include only goods and services where there is no inmate value-added. For fiscal year 1991-92, PRIDE reported \$1,482 of finished goods purchased for resale. PRIDE excluded from this category value-added products. PRIDE defines value-added products as items for which inmates perform minimal work, including providing inspections, performing warehousing and distribution functions, or repackaging food products. Value-added products accounted for approximately \$4.3 million of PRIDE's fiscal year 1991-92 sales. Sales of value-added products are not separately identified in PRIDE's annual reports. The Legislature needs information about value-added products to assess the extent to which PRIDE has accomplished its two primary missions, reducing recommitment and reducing inmate idleness.

Conclusions and Recommendations

We found that PRIDE has generally provided the Legislature with the information required by law. However, PRIDE's annual reports do not provide sufficient information to enable the Legislature to assess the extent to which PRIDE has been successful in meeting its statutory missions, such as reducing recommitment or reducing inmate idleness within the state's prisons. We also found that PRIDE's annual reports do not provide complete information relative to the statutory requirement to report on the amount of finished goods purchased for resale. Therefore, to provide information that will enable the Legislature to evaluate PRIDE's performance, we recommend that PRIDE provide information in its annual reports related to each of its statutory missions, including information about PRIDE's impact in reducing recommitment of ex-inmates trained in PRIDE and PRIDE's effect on reducing inmate idleness within the state's prisons. To allow for a comparison of PRIDE's performance from one year to the next, PRIDE's annual reports should present data for the current year, as well as, two previous years.

The Legislature needs complete information about the amount of goods that PRIDE purchases for resale, including information about value-added products. To clarify the reporting requirements relative to PRIDE's use of value-added products, we recommend that the Legislature amend s. 946.516, F.S., to require PRIDE to provide in its annual reports an itemized listing of all products that it considers to be value-added, with a description of the amount of work that PRIDE inmate workers provided for each of these products, the number of inmates working on these products, the training value provided to these inmates by such work, and whether such practices have resulted in cost savings to the state. This would provide the Legislature with more complete information regarding PRIDE's practices relative to value-added products.

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Appendix A

PRIDE Industries and Supporting Operations

Division	Workstations	Number of Industries and Operations	Correctional Institutions/ Industries and Operations
Agriculture	319	12	Apalachee Beef Cattle, Apalachee Dairy, Apalachee Farm, Apalachee Forestry, Apalachee Poultry/Feedmill, DeSoto Cattle, Glades Citrus, Glades Sugar Cane, Hendry Cattle, Hendry Citrus, Union Cattle, Union Forestry
Furniture	455	5	Avon Park Wood Furniture, Polk Chair, Polk Metal Furniture, Polk Modular Office Systems, Sumter Wood Furniture
Textiles and Services	998	12	Apalachee Mattress, Florida State Prison Garment, Florida Correctional Garment, Lawtey Garment, Madison Shoes, Marion Garment, Apalachee CADD, Avon Park Tire Recapping, Broward Optical, Martin Key Data Entry, Tomoka Heavy Vehicle Renovation, Union Dental Lab
Printing	355	5	Apalachee Decals, Calhoun Printing, Cross City Ring Binders/Decals, Marion Corrugated Boxes, Sumter Printing
General Manufacturing	340	7	Apalachee Sanitary Maintenance and Supply, Baker Traffic Paint, Glades Food Products, Union Tag, Union Broom, Union Food Products, Union Metal Furniture
Modular Construction	<u>70</u>	<u>1</u>	Dade Furniture Refurbishing
Sub-Totals	<u>2,537</u>	<u>42</u>	
			Supporting Operations
Support	<u>126</u>	<u>13</u>	Division Offices (6), Corporate Office, Maintenance (2), Transportation, Warehouses (3)
Total	<u>2,663</u>	<u>55</u>	

Source: Compiled by the Office of the Auditor General from PRIDE records.

Appendix B

PRIDE's Board of Directors

PRIDE is headed by a Board of Directors composed of 13 members.¹⁵ All Board members, except for the President of PRIDE and the Secretary of the Department of Corrections, or his designee, are appointed by the Governor and confirmed by the Senate. According to PRIDE's By-Laws, the affairs of the corporation shall be managed by the Board of Directors. The Executive Committee of the Board consists of seven members including the Chairman, Vice-Chairman, President, Treasurer, Secretary, one non-officer director, and the Secretary of the Department of Corrections or his designee. The Executive Committee possesses the same powers as the Board of Directors. Table B-1 presents the names of persons who were members of the Board and the Executive Committee at June 30, 1993.

¹⁵ PRIDE adopted new By-Laws on September 16, 1992, which changed the number of Board members from 15 to 13.

Table B-1

Board Members as of June 30, 1993 ¹

Name of Member	Occupation
Cecilia Bryant, Chairman ²	Attorney-at-Law
Daniel J. Miller, Vice-Chairman ²	President of Florida AFL/CIO
Nancy J. Davis, Secretary ²	President of McArthur Management Company
David S. Goldman, Treasurer ²	President and CEO of Aerosonic Corporation
Pamela Jo. Davis, Ph.D. ²	President of PRIDE of Florida
Harry K. Singletary, Jr. ²	Secretary of the Florida Department of Corrections
Thomas J. Flood	Chief Operating Officer of Collier Enterprises
F. Philip Handy	President of Winter Park Capital Company
Frederick S. Humphries, Ph.D.	President of Florida A & M University
Jorge M. Perez	President of the Related Companies of Florida, Incorporated
James J. Reeves	Attorney-at-Law

¹ At June 30, 1993, there were two vacancies on the Board.

² Executive Committee Members

Source: Compiled by the Office of the Auditor General from PRIDE records.

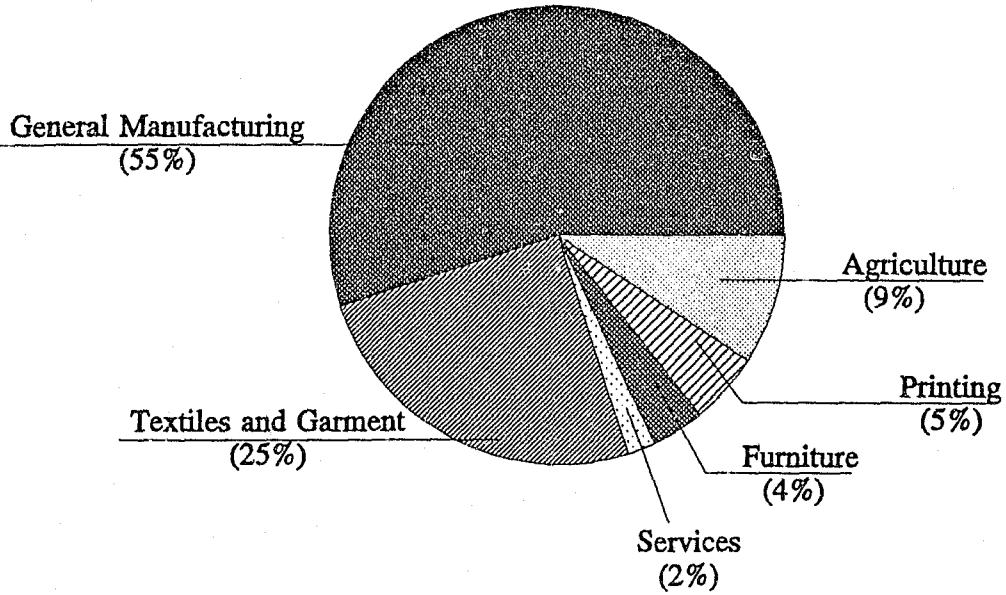
Appendix C

Sales by Division to Major Customers

The following charts (C-1 through C-5) present information regarding the amount of sales, by division, to PRIDE's five largest state agency customers for fiscal year 1992-93. Sales to these five customers accounted for approximately \$47.1 million, which was 91% of PRIDE's sales to state agencies, or 66% of total sales in fiscal year 1992-93. It should be noted that PRIDE operated during fiscal year 1992-93 using these six divisions. However, PRIDE reorganized its divisions as of June 30, 1993. PRIDE combined the Services division with the Textile and Garment division, and PRIDE created the Modular Construction division.

Table C-1

**PRIDE Sales to the Department of Corrections
For Fiscal Year 1992-93**

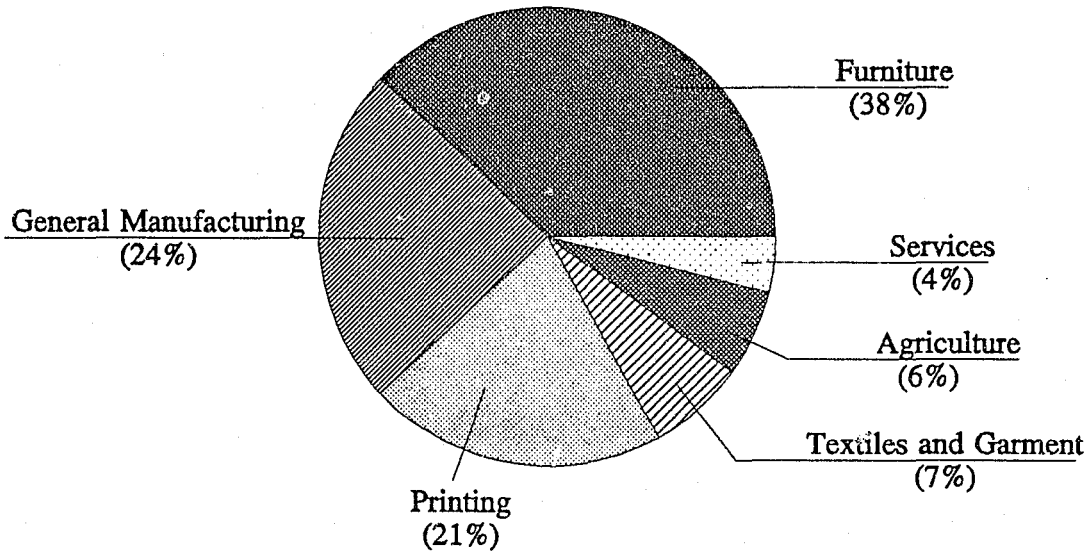


Total Sales = \$30,356,366

Source: Compiled by the Office of the Auditor General using PRIDE sales data.

Table C-2

**PRIDE Sales to the Department of Health and Rehabilitative Services
For Fiscal Year 1992-93**

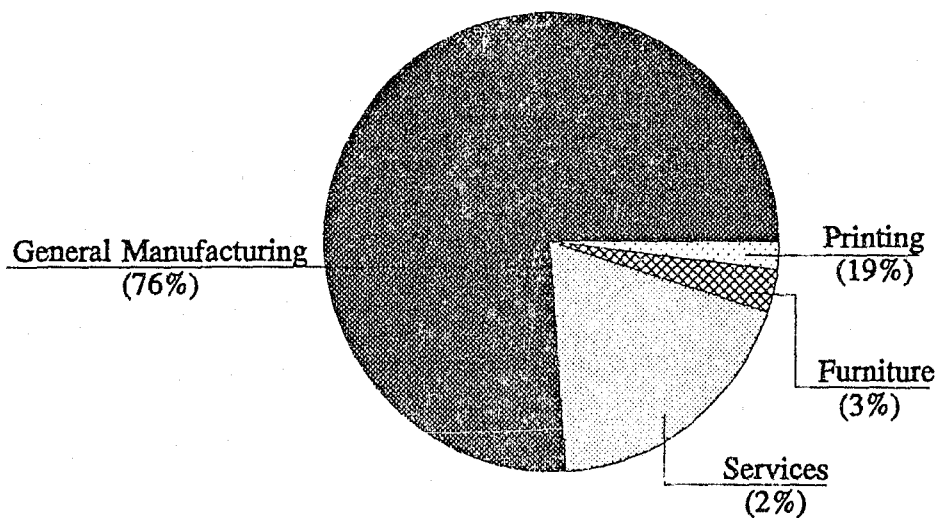


Total Sales = \$5,710,714

Source: Compiled by the Office of the Auditor General using PRIDE sales data.

Table C-3

**PRIDE Sales to the Department of Highway Safety and Motor Vehicles
For Fiscal Year 1992-93**

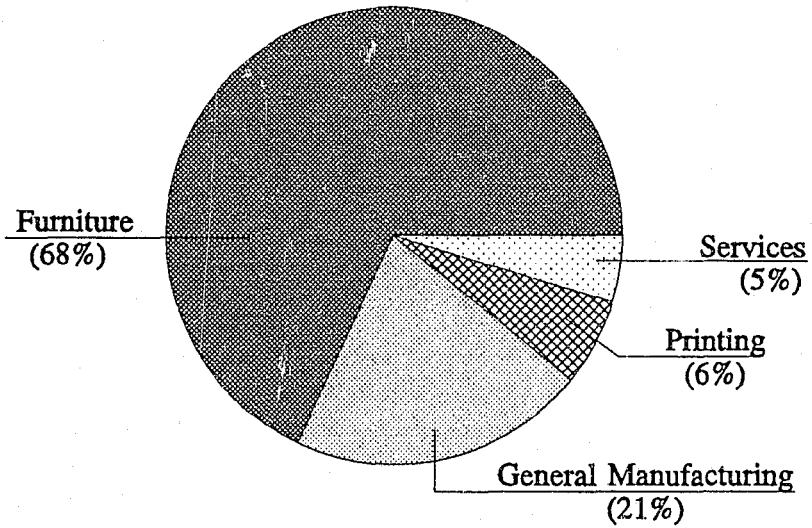


Total Sales = \$6,737,746

Source: Compiled by the Office of the Auditor General using PRIDE sales data.

Table C-4

**PRIDE Sales to the Department of Transportation
For Fiscal Year 1992-93**

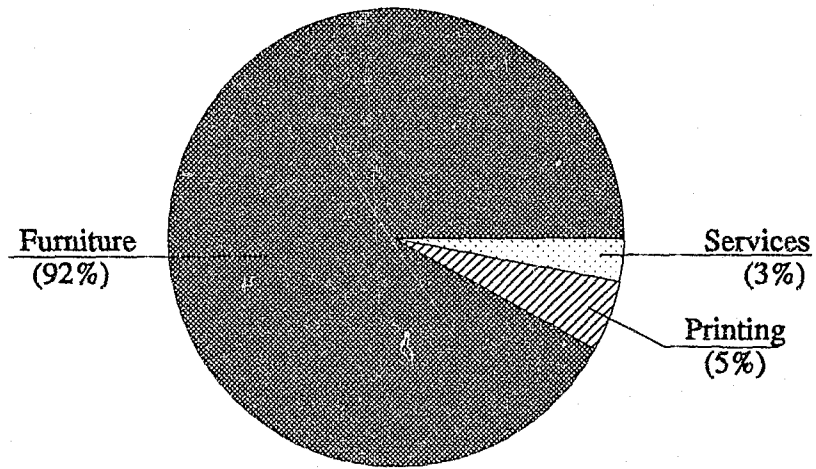


Total Sales = \$2,317,275

Source: Compiled by the Office of the Auditor General using PRIDE sales data.

Table C-5

**PRIDE Sales to the Department of Labor and Employment Security
For Fiscal Year 1992-93**



Total Sales = \$1,970,153

Source: Compiled by the Office of the Auditor General using PRIDE sales data.

Appendix D

Sales and Expenses for PRIDE's Printing Industry

Our audit is required by law to include a review of the cost of materials used, the cost of labor, the cost of overhead, and the amount of profit made by PRIDE for printing done for state agencies. Information regarding the cost of materials, expenses, inmate labor, and profit for the printing industry is presented in Table D-1. Since PRIDE does not allocate corporate overhead costs to industry cost centers we could not determine the indirect overhead costs nor the net profit for the printing industry. In July 1993, PRIDE officials indicated that PRIDE was in the process of changing its accounting system to facilitate the allocation of corporate overhead to specific industries.

Table D-1

Sales and Expenses for PRIDE's Printing Industry Fiscal Years 1990-91 Through 1992-93						
	1990-91	Percent of Sales	1991-92	Percent of Sales	1992-93	Percent of Sales
Expenses:						
Direct Materials	\$3,841,713	43.62%	\$7,591,068	90.17%	\$6,419,210	82.66%
Operating Expenses	4,144,082	47.06%	4,240,678	50.37%	3,956,772	50.95%
Inmate Labor	502,911	5.71%	483,940	5.75%	462,538	5.95%
Overhead to Inventory	38,035	0.43%	(4,079,639)	-48.46%	(3,234,464)	-41.65%
Intercompany Sales	(945,185)	-10.73%	(668,730)	-7.94%	(723,917)	-9.32%
Total Expenses	\$7,581,556	86.09%	\$7,567,317	89.89%	\$6,880,139	88.59%
Total Sales	8,806,374	100.00%	8,418,538	100.00%	7,765,953	100.00%
Profit (Sales - Expenses)	<u>\$1,224,818</u>	<u>13.91%</u>	<u>\$ 851,221</u>	<u>10.11%</u>	<u>\$ 885,814</u>	<u>11.41%</u>

Source: Compiled by the Office of the Auditor General using data provided by PRIDE.

Appendix E

Response From the Prison Rehabilitative Industries and Diversified Enterprises, Inc.

In accordance with the provisions of s. 11.45(7)(d), F.S., a list of preliminary and tentative audit findings was submitted to the President of Prison Rehabilitative Industries and Diversified Enterprises, Inc. for her review and response.

The President's written response is reprinted herein beginning on page 63.



January 10, 1994

Mr. Charles L. Lester, CPA
Auditor General
111 West Madison Street
P.O. Box 1735
Tallahassee, Florida 32302

Dear Mr. Lester:

The following are the responses to the recommendations made in the recent financial-related and performance audit of PRIDE for the period of July 1, 1990, through June 30, 1993:

1. We recommend that PRIDE modify its guidelines relative to its efforts to develop new industries in order to enable it to develop several new industries, including some industries that are similar to existing Florida-based businesses. (Report page 31)

Response:

Concur. PRIDE will consider modifying its guidelines relative to the development of new industries where there are existing Florida-based businesses.

2. We recommend that the Legislature establish a definition for unreasonable competition within s. 946.501, F.S., that takes into consideration the marketability of skills inmates receive from training in PRIDE's industries. (Report page 32)

Response:

Concur. The concept of unreasonable competition within s. 946.501, F.S., should weigh the positive aspects of the training and marketability of the skills received by inmate workers in an industry against the potential impact on Florida-based business.

3. We recommend PRIDE consider alternative funding sources. (Report page 32)

Response:

Concur. PRIDE will consider the options presented as well as other methods by which funds may be available to permit expansion of existing industries and development of new

Mr. Charles L. Lester, CPA
January 10, 1994

industries.

4. We recommend that PRIDE continue to track information about ex-inmates, including additional data to allow for a more in-depth analysis. (Report page 38)

Response:

Concur. PRIDE will continue to track information about ex-inmates including additional data for more in depth analyses. Based on your suggestions, PRIDE will expand its tracking of information about ex-inmates which will include an analysis of inmates with and without training certificates, the completion of the comparison study of recommitment rates being conducted with the Department of Corrections, and random interviews of former PRIDE inmate workers who are recommitted.

5. We recommend that PRIDE evaluate its bidding process and develop a strategy to bid on more state agencies' printing jobs. (Report page 43)

Response:

Concur. PRIDE will evaluate its bidding process for the print industry in an attempt to bid on more state agencies' printing jobs.

6. We recommend that PRIDE keep separate data on the formal, competitive bids it makes, and to evaluate the results of each losing bid. (Report page 43)

Response:

Concur. PRIDE will develop a database to maintain separate data on formal bids and informal quotes. This data should enable PRIDE to evaluate bid results to be more competitive in future bids.

7. We recommend that PRIDE establish specific performance measures that address each of its statutory missions, including each of the four types of performance measures, where appropriate. (Report page 47)

Mr. Charles L. Lester, CPA
January 10, 1994

Response:

Concur. PRIDE has developed goals and objectives, many of which have specific measurable performance measures, that address each of the statutory missions. These are noted in the five year Strategic Plan. The Strategic Plan, which is attached, outlines 42 specific and measurable strategies with the FY 93 actual performance measures included.

PRIDE will obtain a copy of the 1990 Government Accounting Standards Board publication and will use it as a guide to develop other appropriate performance measures. These performance measures will be in place for the FY 94/95 and will be reported in the annual reports.

8. We recommend that PRIDE provide information in its annual reports related to each of its statutory missions, including information about PRIDE's impact in reducing recommitment of ex-inmates trained in PRIDE and PRIDE's effect on reducing inmate idleness within the state's prisons. (Report page 51)

Response:

Concur. PRIDE will report this information.

9. We recommend that the Legislature amend s. 946.516, F.S., to require PRIDE to provide in its annual reports an itemized listing of all products that it considers to be value-added, with a description of the amount of work that PRIDE inmate workers provided for each of these products, the number of inmates working on these products, the training value provided to these inmates by such work, and whether such practices have resulted to cost savings to the state. (Report page 51)

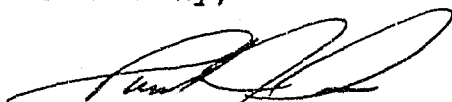
Response:

Concur. PRIDE will provide the information suggested in the Auditor General's report in its general reports as a part of the annual reports that are submitted to the Governor and Legislature. Legislation is not necessary.

Mr. Charles L. Lester, CPA
January 10, 1994

If you need any further assistance please contact us at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'Pamela Jo Davis', written in a cursive style.

Pamela Jo Davis
President

Attachment

**PRIDE OF FLORIDA
FIVE YEAR STRATEGIC PLAN
(1991 TO 1996)**

**I. MISSION: JOINT DOC, PRIDE, DOE, CESA FOR TRAINING, EDUCATION,
AND JOB PLACEMENT TO REDUCE RECOMMITMENT.
OBJECTIVE: EXPAND TRAINING & SUPPORT TO ENHANCE ALL
EXPERIENCES INMATES RECEIVE WITH PRIDE**

STRATEGIES:

A. TRAINING	STATUS YTD (9/1/93)
1. 75% inmates earning certificates by 1996	56%
2. 100% of industries certified by 1995	FY 93/94 goal, 60%; currently, 45%
3. Apprenticeship programs by 1996	FY 93/94 goal, 2 industries; currently 1
B. INDUSTRY	
1. Match job training with jobs to 40% by 1996 (5% year)	FY 93/94 goal, 30%; currently 35%
2. Set standards for inmate screening & selection with DOC	In process as part of on-going cooperation between industry managers and DC
C. EDUCATION	
1. 50% of inmates entering PRIDE with basic literacy with CESA	In process as part of on-going cooperation between managers and DC
2. 25% of inmates meet the minimum education requirements for vocational certification	In coordination with CESA in view of their budgetary restraints
3. Employability skills program in 100% of industries by 1996	Currently introduced in 95% of industries
4. Match CESA with 50% of new industries	Contingent on expansion of PRIDE and availability of CESA instructors

D. SUPPORT

STATUS YTD (9/1/93)

- | | |
|--|--------------------|
| 1. 60% of PRIDE workers with jobs by 1996 | FY 93/94 goal, 40% |
| 2. Establish contracts with community based social service providers by 1993 | Operational |
| 3. Annually update community services booklet | Operational |
| 4. Establish & maintain inmate tracking & reporting system | Operational |

II. MISSION: SERVE SECURITY GOALS, REDUCE IDLENESS, INCENTIVE FOR GOOD BEHAVIOR

**OBJECTIVE: DEVELOP NEW WORK OPPORTUNITIES FOR INMATES
STRATEGIES:**

STATUS YTD (9/1/93)

- | | |
|---|--|
| 1. Expand inmate work positions to 3,000 by 1996 | 2663 |
| 2. Expand PRIDE to jails and community correction by 1995 | In process with Duval County |
| 3. Diversify inmate skills through introduction of new products and/or new processes by reviewing 20% of industries each year | On-going with new business development |
| 4. Provide for a variety of inmate incentives | FY 93/94, longevity pay; on-going |
| 5. Ensure balance of inmates with long and short term sentences for industry requirements | In process as part of on-going coordination by industry managers with DC |

STATUS YTD (9/1/93)

- | | | |
|----|---|--|
| 6. | Provide for cultural diversity in each industry for staff and inmates | Five year affirmative action plan;
FY 93/94 goal: 17 minorities and 9 females
as Corporate objective |
|----|---|--|

**III. MISSION: REDUCE COST OF GOVERNMENT AND NOT UNREASONABLY COMPETE WITH PRIVATE ENTERPRISE
OBJECTIVE: NEW MARKET NICHE BUSINESS TO LIMIT COMPETITION WITH FLORIDA COMPANIES; PROVIDE GOOD ROI AND INMATE JOB POTENTIAL
STRATEGIES:**

STATUS YTD (9/1/93)

- | | | |
|----|--|--|
| 1. | Environmental, recycling and economic development activities | On-going by new business development |
| 2. | Establish industry screening that evaluates mission and financial base | Operational |
| 3. | Fund growth internally | Corporate objective tying profitability with return on capital |
| 4. | Improve relations with private industry | On-going by Division of Inmate Training/Employment, e.g., business reviewers required for certifying industries; job placement |
| 5. | Diversify marketing/distribution | On-going by Division of Marketing and Sales |
| 6. | Develop a marketing and distribution plan for all product lines | On-going by Division of Marketing and Sales |
| 7. | Return a portion of PRIDE'S sales to state | 1.5% of net sales (without inter-company) |
| 8. | Continue contribution for victim restitution to 15% of inmate labor | Operational |
| 9. | Update land-use business plans for mission and financial balance | On-going by Corporate Operations to be completed FY 93/94 |

IV. MISSION: REHABILITATE BY DUPLICATING A FREE PROFIT MAKING ENTERPRISE

OBJECTIVE: PRODUCE QUALITY PRODUCTS AND SERVICES AT A COMPETITIVE PRICE THAT MEET CUSTOMERS NEEDS

STRATEGIES:

STATUS YTD (9/1/93)

- | | |
|--|--|
| 1. Customer service systems for timely response to customer requests by 1993 | Coordination and/or centralized customer service system, operational in FY 94/95 |
| 2. Reduce levels of SG&A to 8% by 1995 | On schedule as planned via finance objectives |
| 3. Create a centralized/company-wide management information system by 1994 | On schedule |
| 4. Initiate quality improvement process with biannual audits of performance by 1994 | On schedule |
| 5. Develop distribution plan with key customers by 1993 | On-going by Division of Marketing & Sales |
| 6. Human resource development plan for:
Minimum training standards
Succession planning
Career development
Incentive programs | Completed |
| 7. Minority business program, 15% goal by 1995 | On schedule and monitored by Corporate Purchasing |
| 8. Affirmative action plan with compliance by 1995 | Completed |
| 9. Corporate financial plan for 5% sales to profitability by 1995 | Current financial projections obtainable for FY 93/94 |
| 10. Report financial earnings for each industry that includes SG&A | Completed FY 93/94 |

STATUS YTD (9/1/93)

- | | | |
|-----|--|---|
| 11. | Management control system for quick analysis of changing conditions by 1993 | Completed with implementation of computerized integrated manufacturing (CIM) FY 93/94 |
| 12. | Establish cost accounting system - 1993 | Completed with implementation of computerized integrated manufacturing (CIM) FY 93/94 |
| 13. | Establish internal policy for use of recycled products by 1993 | In process by new business development |
| 14. | Meet requirements Americans With Disabilities Act, occupational safety and health administration | On-going |