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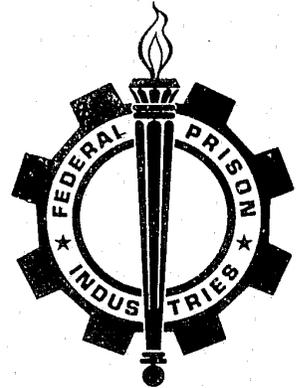


FEDERAL PRISON INDUSTRIES, INC.

BOARD OF DIRECTORS

Annual Report, 1973

014534



A wholly owned government corporation providing training and employment for prisoners confined in the federal correctional institutions

TO THE CONGRESS OF THE UNITED STATES

Pursuant to the provisions of Section 4127 of Title 18, United States Code, the Board of Directors of Federal Prison Industries, Inc. submits its report on the conduct of the business of the Corporation and the condition of its funds for fiscal year 1973.

BOARD OF DIRECTORS

MR. JAMES LINDLEY PALMER, PRESIDENT

Representing Retailers and Consumers.

MR. JOHN MARSHALL BRILEY, VICE PRESIDENT

Representing the Secretary of Defense

MR. GEORGE MEANY

Representing Labor

MR. BERRY N. BEAMAN

Representing Industry

DR. WILLIAM E. MORGAN

Representing Agriculture

OFFICERS

Commissioner

NORMAN A. CARLSON

Associate Commissioner

LOY S. HAYES

Deputy Associate Commissioner/Secretary

PAUL PLEIN



HIGHLIGHTS

	1973	1972	Increase (Decrease)
Sales to Government agencies	\$53,992,031	\$51,277,498	\$2,714,533
Net industrial profit	6,610,151	6,364,574	245,577
Less:			
Accident compensation	98,504	125,101	(26,597)
Vocational Training	5,226,660	5,074,182	152,478
Meritorious compensation to inmates	900,948	770,243	130,705
Net profit to retained income	384,039	395,048	(11,009)
Wages paid to industrial inmates	3,947,350	3,654,713	292,637
Cash on hand 6/30	4,638,255	6,433,649	(1,795,394)
Number of inmates completing VT courses	8,213	7,615	601
Inmates receiving meritorious pay	21,030	19,687	1,343
Average number of inmates employed	4,973	5,005	(32)

1973 was a productive year for the Corporation. Markets were expanded and financial support of institution programs increased. A number of factory operations were changed to provide improved worker training, and changes to the corporate headquarters organization were made to enhance accomplishment of the Corporation's missions. Earnings of almost \$6.5 million were realized during this year but expenditures for capital improvement, inmate programs and other obligations resulted in a decrease in cash assets of \$1.8 million.

Forty-nine factories in 21 penal institutions produced almost \$54 million in goods and services for the government. The penitentiaries, employing large work forces, led the sales volume. Atlanta produced over \$15.6 million of textile and other related products. Leavenworth sales, including furniture, clothing and shoe sales, reached almost \$11 million. McNeil Island was just short of \$5 million in sales of electronics, metal and wood products. Woolen mill production and other manufacture at Terre Haute resulted in sales of more than \$3.7 million.

The Corporation spent more money for vocational training personnel and operations than ever before. Over 6,000 inmates completed training courses supported entirely by funds from Federal Prison Industries. Courses were offered ranging from automobile repair, barbering and masonry to computer programming. The Corporation's contributions to pay awards to deserving inmates reached a new high. Over 21,000 inmates were receiving monetary awards for their work in support of institution functions and programs.

Several major changes in factory operations were implemented during the year. Principal among these was the closing of furniture refinishing operations and establishing in their place production operations offering more diversified

training. Refinishing plants were closed or in the process of closing at Terminal Island, McNeil Island, Petersburg, Lompoc and Tallahassee. Replacement industries include furniture manufacturing at McNeil Island, Terminal Island, and Tallahassee, a sign factory at Lompoc and at Petersburg cable manufacture and a planned automotive repair facility. Also during the year a new keypunch operation was started at Fort Worth, a computer programmer service was inaugurated at Leavenworth and by the end of the year an automotive repair and maintenance facility at Ashland was well on the way to opening.

At the Washington office two significant organizational changes were made to improve the opportunities for all inmates to benefit from vocational training, industrial training and other institution programs preparing them for release. First, responsibility for day-to-day operations of vocational training programs was moved from the direct supervision of corporate officers to a division of the Bureau of Prisons already responsible for programs relating to counseling, guidance and supervision of the individual inmate and his preparation for ultimate release. Second, an Industrial Programs Division was established in the Corporation headquarters. The people in this new division are directing their efforts to finding new industrial operations providing better work and skill training, establishing better ways of providing entry-level and on-the-job training in Industries, evaluating current industrial operations and providing modern information systems to aid management.

The activities of the Corporation during 1973 continued to meet the goal of providing training and employment for prisoners in Federal correctional institutions as required when Congress established Federal Prison Industries, Inc. in 1934. Then as now Congress required that FPI:

Operate a diversified program of industrial production which would offer the least possible competition to industry and labor;

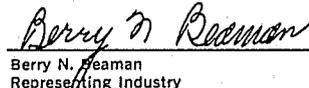
Restrict sales of goods and articles manufactured in FPI shops to departments and agencies of the U.S. Government, and

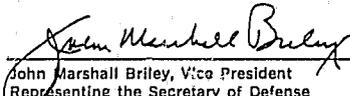
Provide a system of wage incentives and a program of industrial vocational training so that inmates returning to society may be able to become economically self-sustaining and productive citizens.

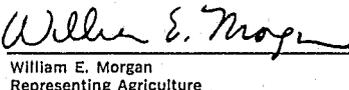
The Acts of Congress which authorized establishment of the Corporation are contained in Title 18, United States Code, Sections 4121 through 4128.

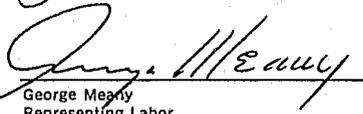
BOARD OF DIRECTORS


James L. Palmer, President
Representing Retailers and Consumers


Berry N. Beaman
Representing Industry


John Marshall Briley, Vice President
Representing the Secretary of Defense


William E. Morgan
Representing Agriculture


George Meany
Representing Labor

Vacant
Representing the Attorney General

Attest: 
Paul Plein, Secretary/Deputy
Associate Commissioner



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

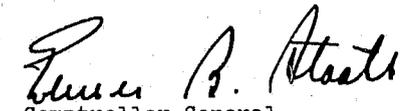
March 19, 1974

Board of Directors
Federal Prison Industries, Inc.
Department of Justice

The General Accounting Office has made an examination of the financial statements of the Federal Prison Industries, Inc., Department of Justice, for the fiscal year ended June 30, 1973, pursuant to the provisions of the Government Corporation Control Act (31 U.S.C. 841).

We made our examination in accordance with generally accepted auditing standards and included such tests of the accounting records and financial transactions and such other auditing procedures as we considered necessary in view of the nature and volume of the transactions and the effectiveness of the internal controls, including the internal audit function.

In our opinion the accompanying statement of financial condition, statement of income and expense, and statement of changes in financial position present fairly the financial position of the Federal Prison Industries, Inc., at June 30, 1973, and the results of its operations and the changes in its financial position for the year then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States applied on a basis consistent with that of the preceding year--except for the change in the method for eliminating interindustry profit from inventories, with which we concur.


Luther B. Atwater
Comptroller General
of the United States

AUDIT

The Corporation accounts are examined by the Office of Internal Audit, Department of Justice, annually. Its financial statements are also subject to an annual examination by the General Accounting Office. This year the General Accounting Office conducted examinations at two locations, plus the Washington office. We are pleased to report that there were no significant adverse findings.

The letter from the Comptroller General of the United States attesting to the findings of the General Accounting Office's examination is reprinted on the adjoining page.

STATEMENT OF FINANCIAL CONDITION

FISCAL YEARS ENDING JUNE 30, 1973 AND 1972

ASSETS	Fiscal year 1973	Fiscal year 1972	Increase or decrease(-)
FUNDS WITH U.S. TREASURY:			
Available for operations -----	\$4,638,255	\$ 6,433,649	-\$1,795,394
Special deposits -----	17,755	47,716	-29,961
ACCOUNTS RECEIVABLE, principally from Government agencies -----	7,004,877	5,883,911	1,120,966
INVENTORIES at cost:			
Finished goods -----	4,684,242	4,018,650	665,592
Work in process -----	4,150,166	3,704,113	446,053
Materials and supplies -----	13,011,640	11,709,745	1,301,895
Total Inventories -----	21,846,048	19,432,508	2,413,540
PLANT AND EQUIPMENT, at cost or appraised value less depreciation:			
Machinery and equipment -----	10,851,521	11,134,749	-283,228
Buildings and improvements -----	17,118,016	17,040,541	77,475
Construction in process -----	2,072,908	1,878,907	194,001
Total Plant and Equipment -----	30,042,445	30,054,197	-11,752
SUNDRY ASSETS	165,814	98,530	67,284
Total assets -----	<u>\$63,715,194</u>	<u>\$61,950,511</u>	<u>\$1,764,683</u>

LIABILITIES AND CAPITAL	Fiscal year 1973	Fiscal year 1972	Increase or decrease(-)
LIABILITIES:			
Accounts payable -----	\$ 2,706,783	\$ 2,611,492	\$ 95,291
Accrued liabilities -----	1,837,669	1,210,244	627,425
Employees' accrued annual leave --	1,172,488	1,083,744	88,744
Deposit fund liabilities -----	17,755	47,716	-29,961
Total liabilities -----	5,734,695	4,953,196	781,499
CONTINGENT LIABILITIES -----	-0-	25,687	-25,687
INVESTMENT OF U.S. GOVERNMENT:			
Initial capital -----	4,176,040	4,176,040	-0-
Property received from other Government agencies, net -----	3,156,887	2,562,365	594,522
Capital -----	7,332,927	6,738,405	594,522
Net income since inception -----	132,647,572	132,233,223	414,349*
Less dividends paid into U.S.			
Treasury -----	82,000,000	82,000,000	-0-
Retained income -----	50,647,572	50,233,223	414,349
Total investment of U.S. Government -----	57,980,499	56,971,628	1,008,871
Total liabilities & investment of U.S. Government -----	<u>\$63,715,194</u>	<u>\$61,950,511</u>	<u>\$1,764,683</u>

* Inclusive of \$30,310 representing adjustments affecting prior years transactions.

STATEMENT OF INCOME AND EXPENSE

FISCAL YEARS ENDING JUNE 30, 1973 AND 1972

	Fiscal year 1973	Fiscal year 1972	Increase or decrease(-)
TOTAL SALES OF PRODUCTS & SERVICES	\$58,757,095	\$53,995,326	\$4,761,769
LESS SALES BETWEEN INDUSTRIES	4,765,064	2,717,828	2,047,236
SALES TO GOVERNMENT AGENCIES	53,992,031	51,277,498	2,714,533
COST OF GOODS AND SERVICES SOLD	44,614,249	42,527,523	2,086,726
GROSS PROFIT	9,377,782	8,749,975	627,807
Add:			
Miscellaneous sales income	152,400	211,837	-59,437
Sundry income	52,875	64,996	-12,121
	9,583,057	9,026,808	556,249
Less:			
Survey of Inventory	171,774	119,130	52,644
Reimbursable salaries	649,388	636,819	12,569
Loss on disposition of assets	87,513	101,695	-14,182
Christmas packages to inmates	29,820	28,400	1,420
Factory closing and organization expense	29,079	42,591	-13,512
Workmen Compensation	48,209	30,472	17,737
Other expenses	89,815	62,298	27,517
	1,105,598	1,021,405	84,193
Sales Expense:			
Outgoing freight	87,225	86,442	783
Shipping	399,349	331,919	67,430
Catalog, samples and sundries	18,950	56,716	-37,766
Total Sales Expense	505,524	475,077	30,447
Administrative Expense:			
Salaries & Related	919,229	792,023	127,206
Travel	80,202	74,806	5,396
General Accounting Office Audit	25,000	25,000	-0-
Department of Justice Audit	125,000	97,000	28,000
Rent for Washington Office	30,553	27,160	3,393
Telephone	46,814	28,221	18,593
Printing & Reproduction	26,440	21,389	5,059
Building Repairs	11,590	21,866	-10,276
Freight	24,735	12,739	11,996
Reimb. Salaries (Const)	-0-	35,404	-35,404
Other	58,584	19,264	39,320
Total expenses subject to limitations set by Congress (1972—\$1,164,000) (1973—\$1,500,000)	1,348,155	1,154,872	193,283
Depreciation—Machinery & Equipment	3,904	3,074	830
—Building & Improvements	-0-	1,511	-1,511
Total Administrative Expense	1,352,059	1,159,457	192,602
Incentive awards to civilians	9,725	6,295	3,430
NET INDUSTRIAL PROFIT	6,610,151	6,364,574	245,577
Less:			
Accident compensation	98,504	125,101	-26,597
Vocational expense (Exhibit H)	5,226,660	5,074,182	152,478
Meritorious compensation to inmates (Exhibit I)	900,948	770,243	130,705
NET PROFIT TO RETAINED INCOME	\$ 384,039	\$ 395,048	\$ -11,009

STATEMENT OF CHANGES IN FINANCIAL POSITION

FISCAL YEAR ENDING JUNE 30, 1973

FUNDS PROVIDED:

Sales of products and services	\$53,992,031
Miscellaneous sales	2,904,040
Sundry income current year	52,875
Sundry income earned in prior years	156,634
Materials and supplies received without exchange of funds	565,415
Total funds provided	\$57,670,995

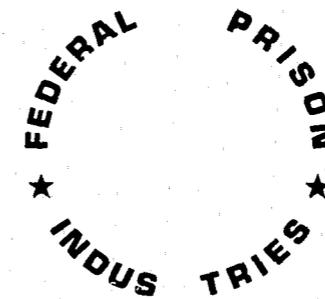
FUNDS APPLIED:

Cost of goods and services sold	\$44,614,249	
Less: Production depreciation	1,664,360	\$42,949,889
Vocational training and placement expense	5,226,660	
Less: Depreciation	484,046	4,742,614
Administrative expense	1,352,059	
Less: Depreciation	3,904	1,348,155
Acquisition of fixed assets		2,111,451
Cost of miscellaneous sales		2,751,640
Other operating expense		1,533,334
Inmate compensation for meritorious or outstanding service		900,948
Accident compensation		98,504
Loss on disposal of assets		87,513
Operating expenses incurred in prior years		126,324
Increase in working capital		1,020,623
Total funds applied		\$57,670,995

LOCATIONS and DESIGNATIONS of FEDERAL PRISON INDUSTRIES, INC.

FISCAL YEAR 1973

ALDERSON, W. VA. Garment Keypunch (A.D.P.)	MARION, ILL. Metal Furniture Print
ALLENWOOD, PA. Custom Furniture	McNEIL ISLAND, WASH. Electronics Furniture and Wood Products Sign
ATLANTA, GA. Basket Canvas Specialty Clothing Mattress Sign Textile (Cotton)	MILAN, MICH. Metal Specialty
DANBURY, CONN. Electronics Glove	PETERSBURG, VA. Electric Cable Furniture Refinishing Tire Reconditioning
EL RENO, OKLA. Broom Machine Die and Tool	SAFFORD, ARIZ. Glove
FORT WORTH, TEX. Keypunch (A.D.P.)	SANDSTONE, MINN. Glove Print
LA TUNA, TEX. Brush Dairy Furniture Refinishing	SEAGOVILLE, TEX. Furniture Refinishing
LEAVENWORTH, KAN. Computer Programming Brush Clothing Furniture Shoe	TALLAHASSEE, FLA. Furniture
LEWISBURG, PA. Clothing Metal Furniture	TERMINAL ISLAND, CAL. Furniture Keypunch (A.D.P.) Metal Equipment
LOMPOC, CAL. Custom Furniture Electric Cable Furniture Refinishing Print	TERRE HAUTE, IND. Canvas Specialty Metal Furniture and Plastics Textile (Cotton and Woolen)
	TEXARKANA, TEX. Furniture



This publication printed by vocational trainees
at the Marion, Illinois, Federal Penitentiary.