

Report To

#309

# The Mississippi Legislature



150305

## A Performance Audit of Magnolia State Enterprises and the Prison Industries Program

January 19, 1994

*Required by the Mississippi Prison Industries Act of 1990 for the period beginning  
January 1, 1991, through January 1, 1993*

The Mississippi Prison Industries Act requires the Department of Corrections and Magnolia State Enterprises to work toward a successful prison industries program.

Magnolia State Enterprises, nonprofit corporation, is required to operate the prison industries as a profit-making enterprise, not unreasonably competing with private enterprise, while reducing costs of state government.

The Department of Corrections and Magnolia State Enterprises are to provide positive program outcomes by using primarily inmate labor, reducing inmate idleness, providing behavioral incentives, and supplying inmate rehabilitation through useful activities for meaningful post-release employment.

The prison industries program has operated primarily with inmate labor and has reduced inmate idleness of those inmates employed; however, the program has not yet reached the potential intended under the law. In addition, neither DOC nor MSE currently have sufficient short- or long-term plans to assure the program's success.

The underlying reason that the prison industries program has not been effective in rehabilitating inmates is because of DOC's lack of guidance and its failure to comply with legal requirements. The primary reason for MSE's reduced operational efficiency and effectiveness is a lack of strong direction from its board of directors.

## The PEER Committee

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PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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**January 19, 1994**

**The PEER Committee**

**Mississippi Legislature**

# **A Performance Audit of Magnolia State Enterprises and the Prison Industries Program**

## ***Introduction***

### **Authority**

PEER performed this performance audit as directed by MISS. CODE ANN. Section 47-5-559 (1972) of the *Mississippi Prison Industries Act of 1990*, which states:

*The State Auditor and the legislative PEER committee shall also conduct a biennial performance audit of the corporation for the period beginning January 1, 1991, through January 1, 1993, and thereafter upon the joint request of the Senate Corrections Committee, House Penitentiary Committee, Senate Finance Committee, and House Ways and Means Committee.*

PEER performed this audit independent from the State Auditor.

In addition, PEER is directed by MISS. CODE ANN. Section 47-5-35 to audit all accounts of the state correctional system for the purpose of reporting to the Legislative Budget Office; Chairman, Senate Corrections Committee; and Chairman, House Penitentiary Committee.

### **Scope and Purpose**

In compliance with MISS. CODE ANN. Section 47-5-559, PEER sought to provide an independent third-party review and analysis of Magnolia State Enterprises' and Department of Corrections' performance and the degree to which the organizations met legal requirements. PEER evaluated performance and related compliance aspects to determine:

- Magnolia State Enterprises' economy and efficiency in operating the prison industries program, and
- Magnolia State Enterprises' and the Department of Corrections' effectiveness in achieving the legislative program mission and objectives.

## Method

In conducting this review, PEER performed the following tasks:

- reviewed the MISSISSIPPI CONSTITUTION, applicable state statutes, and pre-1993 general state laws;
- reviewed applicable federal laws;
- interviewed appropriate staff and obtained information from:
  - Magnolia State Enterprises (MSE);
  - Department of Corrections (DOC); and,
  - Department of Finance and Administration (DFA).
- obtained and analyzed appropriate MSE records and documents to include, but not limited to:
  - corporate documents--articles of incorporation, bylaws, federal tax exemption records, board of directors' minutes;
  - policies and procedures manuals, plans, and budgets;
  - audited and compiled detail financial statements for the three fiscal periods within the audit period;
  - annual reports to the Governor and the Legislature;
  - lease agreement, DOC transfer of prison industries assets, and fixed asset and insurance records;
  - summary data related to productions, customer and joint-venture contracts and agreements; and,
  - periodic inmate worker summary data.
- obtained and analyzed appropriate DOC records and documents to include, but not limited to:
  - inmate population and departure data, and DOC analysis of inmates available to work at MSE;
  - annual reports to the Governor and the Legislature;
  - policies and procedures manual;
  - pre-release assistance program statistical and program information; and,
  - inmate handbook.

- reviewed articles, reports and other published information related to prison industries.

### Overview

The *Mississippi Prison Industries Act of 1990* contains specific requirements for both the Department of Corrections and the corporation (Magnolia State Enterprises) to assure that the legislative mission is accomplished.

These legislative requirements are recognizable within distinct performance categories and the law assigns the specific responsibilities for satisfactory performance. The law sets specific requirements of MSE to operate the prison industries in an economic and efficient manner. The law also distributes requirements to both DOC and MSE for program outcome and effectiveness. The following summarizes the overall mission of both entities described in the act:

#### *Economy and Efficiency (MSE)*

- Reduce costs of state government
- Duplicate as nearly as possible the operating activities of a free-enterprise type of profit-making enterprise

#### *Operational Effectiveness (MSE)*

- Do not unreasonably compete with private enterprise
- Operate as a profit-making free enterprise

#### *Program Effectiveness (DOC and MSE)*

- Use primarily inmate labor
- Provide useful activities for meaningful post-release employment
- Reduce inmate idleness
- Provide inmate behavioral incentives

PEER found that MSE operates primarily with inmate labor and reduces inmate idleness of those inmates worked; however, the prison industries program has not yet reached the potential intended under the law. In addition, neither DOC nor MSE have sufficient short- or long-term plans to assure the program's success.

The underlying reason that the prison industries program has not been effective in rehabilitating inmates is because of DOC's lack of guidance

and its failure to comply with legal requirements. The primary reason for the lack of MSE efficiency and effectiveness is a lack of strong direction from its board of directors.

### *Economy and Efficiency*

MSE has not satisfactorily fulfilled its legislative mission to manage its operations as a profit-making enterprise, primarily due to the MSE board's lack of strong written goals, objectives, plans, or comprehensive policies. This lack of board guidance, compounded by reliance on supplemental state revenues, negatively affected MSE's ability to control, allocate, monitor, and account for costs efficiently.

In particular, MSE did not price products and services to provide adequate sales revenues to recover all expenses. MSE total expenses during the audit period exceeded sales revenues by 45%. MSE does not maintain a suitable method of establishing unit sales prices for products and services. MSE does not maintain a satisfactory cost accounting system which could allow the allocation of all costs to operating divisions and which could be used toward more appropriate sales prices.

MSE is unable to measure the true financial impact or cost savings from sales to state agencies, which is one method that the program might use to reduce costs of state government. Also, MSE has no long-range plans that would significantly reduce costs to state government. The corporation did purchase buildings and property totaling \$262,234, which will become property of the state if the corporation discontinues operations.

MSE efficiency has been hindered by inefficient purchasing practices of raw materials. The Office of Purchasing and Travel verbally advised MSE to adhere to state bid requirements in the purchase of materials, even though MISS. CODE ANN. Section 31-7-1 (e) excludes commodities purchased for resale from the bid law requirements. MSE's ability to comply with its mandate to operate as a profit-making enterprise is negatively affected by this requirement.

### *Operational Effectiveness*

MSE has not complied with MISS. CODE ANN. Section 47-5-545 outlining requirements in marketing and pursuing industries, which has negatively impacted its effectiveness toward stability, fairness, and protection of operations.

### *Program Effectiveness*

MSE employed approximately five percent of the inmate population at the three main correctional facilities. However, DOC has not met its obligations of the prison industries act, which has prevented MSE from

effectively achieving the statutory mission to reduce inmate idleness and rehabilitate inmates toward post-release employment.

Specifically, DOC has not complied with the law because it has not provided a master plan for correctional work programs and guidelines for a logical sequence of training, employment, and post-release job placement. Because DOC has not established this required plan, it does not consider training when inmates enter the correctional system and are classified.

DOC also has no significant inmate job placement program, and has neither tracked inmates' post-release job placement nor the return of those inmates to the correctional system. The only inmate post-release job placement program is through the Job Training Partnership Act pre-release job assistance, which is able to place only 7% of total inmates departing from the correctional system.

MSE operations have been negatively affected by DOC's lack of clearly defined classification criteria for inmates qualified for rehabilitation/work and no regulations for expedient classification and movement of inmates for MSE work.

DOC and MSE have not met statutory requirements to assure adequate security within prison industry work areas. DOC has neither documented evaluations, recommendations, nor certifications of security, and MSE has not furnished security within work area parameters as required by MISS. CODE ANN. Section 47-5-553.

MSE has limited inmate rehabilitation to on-the-job-training by not offering classroom training or auxiliary programs with Mississippi Delta Community College and other community colleges, as statutorily authorized.

The prison industries program's only viable behavioral incentive is inmate wages. Inmates do not receive additional earned time under current law, which hinders incentives for inmate work.

## ***Background***

### **Legislative History**

The employment of inmates in business and agricultural industries is not a new concept in Mississippi. Appendix A, page 49, provides a summary of Mississippi's history of prison industries and the employment of inmates. However, the creation of a corporation to operate industries independent from Department of Corrections and provide employment and training for the state's prisoners is distinct with the creation of the *Mississippi Prison Industries Act of 1990*.

The *Mississippi Prison Industries Act of 1990*, enacted by the Mississippi Legislature during the 1990 Regular Session, created the current prison industries program. This act called for the organization and formation of a nonprofit corporation to lease from DOC and manage the prison industries programs, previously known as Mississippi Correctional Industries (MCI). The act also transferred control and management of the MCI program assets and funding for this nonprofit corporation. The act created additional funding for the corporation of one-half of Inmate Welfare Funds until July 1, 1994, as authorized by MISS. CODE ANN. Section 47-5-158. The most significant portion of the act is codified at MISS. CODE ANN. Section 47-5-531 et. al. CODE Section 47-5-577 mandates that the act shall stand repealed from and after July 1, 1994.

### **Legislative Intent**

The legislative intent and overall mission of the *Mississippi Prison Industries Act of 1990* is clearly defined in MISS. CODE ANN. Section 47-5-533. The prison industries program emphasizes the state's need for a logical sequence of inmate rehabilitation to include: vocational training, employment by correctional work programs, and post-release job placement. Subsection (1) describes the program's highest charge as follows:

*It is the finding of the Legislature that prison industry programs of the State Department of Corrections are uniquely different from other programs operated or conducted by other departments in that **it is essential to the state that the prison industry programs provide inmates with useful activities that can lead to meaningful employment after release in order to assist in reducing the return of inmates to the system.** [Emphasis added.]*

Subsection (2) further describes the mission of the program as:

*(a) **To reduce the cost of state government by operating prison industries primarily with inmate labor, which industries do not seek to unreasonably compete with private enterprise;***

(b) 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; and

(c) To serve the **security goals** of the state by **reducing the idleness** of inmates and by providing an **incentive for good behavior** while in prison. [Emphasis added.]

Exhibit 1, page 8, summarizes the act's major statutory provisions supporting the prison industries program's mission.

### Creation of Nonprofit Corporation

Mississippi Prison Industries Act, Inc. (MPIA) doing business as Magnolia State Enterprises, filed its articles of incorporation as a nonprofit corporation with the Secretary of State in May 1990. The corporation assumed responsibility for the management of the state's prison industries program in February 1991. The corporate board of directors hired a chief executive officer in April 1991.

MPIA amended its articles of incorporation in July 1991 to change the corporate name to Magnolia State Enterprises, Inc. (MSE). MSE operates under the same fiscal period (July 1 through June 30) as the State of Mississippi.

MSE is exempt from federal income taxes under section 501 (a) of the Internal Revenue Code as an organization described in section 501 (c) (3). The U. S. Department of Treasury, Internal Revenue Service, has determined that MSE is not a private foundation and confirmed MSE foundation status classification as 26 U. S. C. § 509 (a) (3).

The corporation received the assets of the prior correctional industries, operated by DOC, through a lease agreement dated January 4, 1991, and amended February 5, 1992. MSE initially paid a nominal fee of \$10 as rent under the agreement, and has paid no other rents subsequent to origination of the lease.

The lease agreement authorized the transfer of assets with an estimated total value of \$1,632,214 from DOC, as follows:

Cash:		
MCI Treasury Account	\$333,536	
Inmate Welfare Fund	<u>348,048</u>	\$681,584
Customers' accounts receivable		220,669
Inventories (raw materials/finished goods)		161,639
Fixed Assets:		
Buildings and improvements	209,315	
Property and equipment	<u>359,007</u>	<u>568,322</u>
		<u>\$1,632,214</u>
		=====

**Exhibit 1**  
**Mississippi Prison Industries Act of 1990**  
**Major Statutory Requirements**

Responsible Entity		Duties and Responsibilities of Magnolia State Enterprises and Department of Corrections	Performance Area	
			Economy & Efficiency	Effectiveness
MSE	DOC			
✓	✓	<p><b>MISS. CODE ANN. Section 47-5-533</b></p> <ul style="list-style-type: none"> <li>♦ Provide inmates with useful activities that can lead to meaningful employment after release in order to assist in reducing the return of inmates to the system.</li> <li>♦ Reduce the cost of state government by operating prison industries primarily with inmate labor, which industries do not seek to unreasonably compete with private enterprise.</li> <li>♦ Serve the rehabilitative goals of the state by duplicating as nearly as possible, a free-enterprise type of profit-making enterprise.</li> <li>♦ Serve the security goals of the state by reducing the idleness of inmates and by providing an incentive for good behavior in prison.</li> </ul>	✓	✓
✓		<p><b>MISS. CODE ANN. Section 47-5-541</b></p> <ul style="list-style-type: none"> <li>♦ Corporation shall be governed by a board of directors (13 members).</li> <li>♦ Board of directors shall make and publish policies, rules and regulations governing all business functions, including but not limited to accounting, marketing, purchasing and personnel, not inconsistent with the terms of this chapter (Sections 47-5-531 through 47-5-575), as may be necessary for the efficient administration and operation of the corporation.</li> <li>♦ Board shall select and employ a chief executive officer who shall: employ and dismiss as necessary employees of the corporation; administer daily operations; execute contracts upon approval of board; and take any further actions necessary and proper toward the achievement of the corporation's purposes.</li> </ul>	✓	✓
✓	✓	<p><b>MISS. CODE ANN. Section 47-5-543</b></p> <ul style="list-style-type: none"> <li>♦ Lease agreement between DOC and MSE wherein corporation leases all assets of industry, not to exceed six years.</li> </ul>	✓	
✓		<p><b>MISS. CODE ANN. Section 47-5-545</b></p> <ul style="list-style-type: none"> <li>♦ Commission and implement marketing feasibility study for any proposed prison industry.</li> <li>♦ Hold hearing to determine the impact that a new industry may have on the private sector market; provide advance notice regarding nature, time, date, and place of hearing.</li> <li>♦ Commence negotiations with DOC or Secretary of State as mediator.</li> </ul>	✓	✓
✓		<p><b>MISS. CODE ANN. Section 47-5-547</b></p> <ul style="list-style-type: none"> <li>♦ May establish in participation with Mississippi Delta Community College any training or auxiliary program.</li> <li>♦ Mississippi Delta Community College shall provide assistance in business planning, marketing and analysis of existing or projected industries.</li> </ul>	✓	✓
✓		<p><b>MISS. CODE ANN. Section 47-5-549</b></p> <ul style="list-style-type: none"> <li>♦ May sell or furnish goods to any legislative, executive or judicial branch of the state, any political subdivision or any governing authority, any other state, any school, college or university of the state, any foreign government, any agency of the federal government, or to any private entity.</li> </ul>	✓	✓

**Exhibit 1 (continued)**

Responsible Entity		Duties and Responsibilities of Magnolia State Enterprises and Department of Corrections	Performance Area		
			Economy & Efficiency	Effectiveness	
MSE	DOC				
✓		<b>MISS. CODE ANN. Section 47-5-549 (continued)</b>			
✓		♦ Make reasonable efforts to purchase raw materials from in-state vendors.			✓
		♦ Prices shall be established by the board of directors of the corporation or its designee.	✓		
✓		<b>MISS. CODE ANN. Section 47-5-551</b>			
		♦ Property reverts to full ownership of DOC if corporation is dissolved or lease expires.	✓		
	✓	<b>MISS. CODE ANN. Section 47-5-553</b>			
✓		♦ Superintendents of correctional facilities shall certify in writing to the CEO whether MSE has proper security or if security improvements are needed.			✓
		♦ Furnish security within the parameters of any prison industry work area.			✓
	✓	<b>MISS. CODE ANN. Section 47-5-555</b>			
		♦ Provide MSE with sufficient inmate labor for prison industries programs.	✓		✓
✓	✓	<b>MISS. CODE ANN. Section 47-5-557</b>			
		♦ Inmates shall not be deemed agents, employees, or involuntary servants while working for MSE.			✓
✓		<b>MISS. CODE ANN. Section 47-5-559</b>			
	✓	♦ Detailed annual status report on correctional work programs including independent audited financial statements.	✓		✓
		♦ Include in annual report: report on post-release job placement and rate of all inmates' subsequent contact with correctional system (MSE's and DOC's work programs.)	✓		✓
✓		<b>MISS. CODE ANN. Section 47-5-561</b>			
		♦ May request general revenue appropriation and shall maintain excess cash in interest-bearing accounts.	✓		
	✓	<b>MISS. CODE ANN. Section 47-5-563</b>			
✓		♦ May adopt rules as necessary to govern MSE's use of inmates, related to security, inmate protections, operations.			✓
✓		♦ Shall establish policies and rules on the use of inmates, subject to DOC legal counsel approval.			✓
✓	✓	♦ File rules governing use of inmates with the Secretary of State.			✓
	✓	<b>MISS. CODE ANN. Section 47-5-573</b>			
		♦ Through a master plan develop a logical sequence of inmate vocational training, employment by correctional work programs, and post-release job placement; provide guidance for the development of correctional work programs.			✓
	✓	♦ Consider MSE's needs when assigning/transferring inmates: skills, security classifications, employment duration; establish a concept of a potentially rehabilitative inmate.	✓		✓

**SOURCE: PEER analysis of Mississippi CODE ANN. Sections 47-5-531 through 47-5-577.**

## Organization

As directed by CODE Section 47-5-541, MSE is governed by a thirteen-member board of directors: eleven members appointed by the Governor with the advice and consent of the Senate, and two ex officio members. Ex officio members may vote but may not serve as officers. The board consists of the following representatives:

### Appointed Members

1	manufacturing industry
1	agriculture industry
1	banking and finance industry
1	labor industry
1	marketing industry
<u>6</u>	state-at-large.
11	

### Ex Officio Members

1	State Commissioner of Corrections
<u>1</u>	President, Mississippi Delta Community College
<u>13</u>	

The board appoints a chief executive officer to administer the daily operations of the corporation, hire and dismiss employees, execute contracts, and perform other management actions.

MSE's organization and line structure represent the administrative and operating divisions as functions/industries of the corporation. Administrative, marketing, and the production manager positions report directly to the chief executive officer. All operating divisions (see next section), including the production assistant, report to the production manager.

Exhibit 2, page 11, presents MSE's organization chart. MSE's functions and operating divisions have changed because of additions and deletions of industries to the program. Therefore, the organization chart presents industry beginning and ending dates (within and outside the audit period). MSE currently employs eighteen non-inmate employees to administer and operate the prison industries. At January 1, 1993, it employed fourteen non-inmate employees. See page 26 for a discussion of inmate workers.

MSE's administrative offices are at the State Penitentiary. Operating divisions are located at:

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# A Performance Audit of Magnolia State Enterprises And the Prison Industries Program

## Executive Summary

January 19, 1994

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### Introduction

PEER performed this performance audit as directed by MISS. CODE ANN. Section 47-5-559 (1972) of the *Mississippi Prison Industries Act of 1990*, which states:

*... The State Auditor and the legislative PEER committee shall also conduct a biennial performance audit of the corporation for the period beginning January 1, 1991 through January 1, 1993, and thereafter upon the joint request of the Senate Corrections Committee, House Penitentiary Committee, Senate Finance Committee and House Ways and Means Committee.*

PEER performed this audit independent from the State Auditor.

In addition, PEER is directed by MISS. CODE ANN. Section 47-5-35 to audit all accounts of the state correctional system for the purpose of reporting to the Legislative Budget Office; Chairman, Senate Corrections Committee; and Chairman, House Penitentiary Committee.

### Background

The employment of inmates in business and agricultural industries is not a new concept in Mississippi. However, the creation of an independent corporation to operate the industries, while cooperating with Department of Corrections (DOC) toward inmate rehabilitation and post-release job placement is new with the creation of the *Mississippi Prison Industries Act of 1990*. MISS. CODE ANN. Section 47-5-531 et. al. emphasizes the state's need for a logical sequence of inmate rehabilitation and describes the program's highest charge to "...provide inmates with useful activities that can lead to meaningful employment after release in order to assist in reducing the return of inmates to the system."

Magnolia State Enterprises, Inc. (MSE) was incorporated in May 1990 to provide the prison

industries activities to meet the act's mission. In February 1991, MSE assumed responsibility from DOC for business operations. Under the act, DOC remains responsible for the program's mission toward inmate rehabilitation and post-release job placement.

### Overview

The *Mississippi Prison Industries Act of 1990* contains specific requirements for both DOC and MSE to assure that the legislative mission is accomplished. These legislative requirements are recognizable within distinct performance categories and the law assigns the specific responsibilities for satisfactory performance. The law sets requirements of MSE to operate the prison industries in an economic and efficient manner. The law also distributes requirements to both DOC and MSE for program outcome and effectiveness.

PEER found that MSE operates primarily with inmate labor and reduces inmate idleness of those inmates worked; however, the prison industries program has not yet reached the potential intended under the law. In addition, neither DOC nor MSE have sufficient short- or long-term plans to assure the program's success.

The underlying reason that the prison industries program has not been effective in rehabilitating inmates is because of DOC's lack of guidance and its failure to comply with legal requirements. The primary reason for MSE's reduced operational efficiency and effectiveness is a lack of strong direction from its board of directors.

### MSE's Economy and Efficiency

#### *Cost Controls and Efficiency*

MSE has not satisfactorily fulfilled its legislative mission to manage its operations as a profit-making enterprise, primarily due to the MSE board's lack of strong written goals, objectives, plans, or comprehensive policies. This lack of board guidance,

compounded by reliance on supplemental state revenues, negatively affected MSE's ability to control, allocate, monitor, and account for costs efficiently.

#### *Inadequate Sales Revenues*

MSE did not price products and services to provide adequate sales revenues to recover all expenses. MSE total expenses during the audit period exceeded sales revenues by 45%. MSE does not maintain a suitable method of establishing unit sales prices for products and services. MSE does not maintain a satisfactory cost accounting system which could allow the allocation of all costs to operating divisions and which could be used toward more appropriate sales prices.

#### *Measuring Cost Savings*

MSE is unable to measure the true financial impact or cost savings from sales to state agencies, which is one method that the program might use to reduce costs of state government. Also, MSE has no long-range plans that would significantly reduce costs to state government. The corporation purchased buildings and property totaling \$262,234 during the audit period.

#### *Inefficient Purchasing Methods*

MSE efficiency has been hindered by inefficient purchasing practices of raw materials. The Office of Purchasing and Travel verbally advised MSE to adhere to state bid requirements in the purchase of materials, even though MISS. CODE ANN. Section 31-7-1 (e) excludes commodities purchased for resale from the bid law requirements. MSE's ability to comply with its mandate to operate as a profit-making enterprise is negatively affected by this requirement.

### **MSE's Operational Effectiveness**

#### *Marketing*

MSE has not complied with MISS. CODE ANN. Section 47-5-545 outlining requirements in marketing and pursuing industries, which has negatively impacted its effectiveness toward stability, fairness, and protection of operations.

### **DOC's and MSE's Program Effectiveness**

MSE employed approximately five percent of the inmate population at the three main correctional facilities. However, DOC has not met its obligations of the prison industries act, which has prevented MSE from effectively achieving the statutory mission to reduce inmate idleness and rehabilitate inmates toward post-release employment.

#### *DOC's Lack of Master Plan*

DOC has not complied with the law because it has not provided a master plan for correctional work programs and guidelines for a logical sequence of training, employment, and post-release job placement. Because DOC has not established a required plan, it does not consider training when inmates enter the correctional system and are classified.

#### *DOC's Insufficient Post-Release Job Placement*

DOC also has no significant inmate job placement program, and has neither tracked inmates' post-release job placement nor the return of those inmates to the correctional system. The only inmate post-release job placement program is through the Job Training Partnership Act pre-release job assistance, which is able to place only 7% of total inmates departing from the correctional system.

#### *DOC's Weak Inmate Classification Criteria*

MSE operations have been negatively affected by DOC's lack of clearly defined classification criteria for inmates qualified for rehabilitation/work and no regulations for expedient classification and movement of inmates for MSE work.

#### *Inadequate Inmate Security*

DOC and MSE have not met statutory requirements to assure adequate security within prison industry work areas because of conflicts evident in statutory terms and the lease agreement.

### *MSE's Inmate Training*

MSE has limited inmate rehabilitation to on-the-job-training by not offering classroom training or auxiliary programs with Mississippi Delta Community College and other community colleges, as statutorily authorized.

### *Lack of Inmate Work Incentives*

The prison industries program's only viable behavioral incentive is inmate wages. Inmates do not receive additional earned time under current law, which hinders incentives for inmate work.

### **Recommendations**

As mandated by MISS. CODE ANN. Section 47-5-577, the *Mississippi Prison Industries Act of 1990* stands repealed from and after July 1, 1994. Regardless of the Legislature's decision concerning the repealer or the future governing structure of a prison industries program, substantial improvements in program and operational management should be made for the prison industries program to be successful.

Exhibit A, page x, summarizes PEER's recommended actions. This summary categorizes recommendations by subject and delineates which entity is responsible for each recommended action. References to MSE represent that organization or any other entity that the Legislature delegates to assume the responsibilities of the prison industries program. The recommendations assume that the legislative intent and mission of the industries will be unchanged.

#### **For More Information or Clarification, Contact:**

PEER Committee  
P. O. Box 1204  
Jackson, MS 39215-1204  
(601) 359-1226

Senator Travis Little, Chairman  
Corinth, MS (601) 286-3914

Representative Cecil McCrory, Vice-Chairman  
Brandon, MS (601) 825-6539

Representative Alyce Clarke, Secretary  
Jackson, MS (601) 354-5453

**Exhibit A  
Recommendations Summary**

Recommendation Number	Finding Page Numbers	Subject	Mississippi Elected Officials	Department of Corrections	Magnolia State Enterprises
1	25-36	Commissioner and Facility Superintendents		The Commissioner of Corrections should initiate actions to provide DOC's guidance and support in order for MSE and the prison industries program to fulfill legislative intent. Facility superintendents should attend all MSE board meetings.	
2	16-22, 36-37	MSE Board Goals and Objectives		State Commissioner of Corrections, as a voting MSE board member, should be directly involved in establishing these goals, assuring the department's coordination, and cooperation.	The board should initiate written goals and measurable objectives to guide MSE management's operations. The board should review these written goals and objectives on an annual basis.
3	28-29	Master Plan for Correctional Work Programs		As required by statute and based on the concept of a rehabilitated inmate, DOC should establish a proactive master plan and logical sequence of inmate vocational training, employment by the prison industries, and post-release job placement.	
4	16-22, 36	MSE Strategic Plans			The board should develop short- and long-term strategic plans for management and employees to use in achieving the board's written goals and objectives. The board should set standards to measure the program's accomplishment of legislative intent.
5	31-34	Inmate Use Rules and Classification Criteria		DOC should create specific classification criteria and use rules for inmates working at MSE. Such rules should be coordinated with DOC's master plan and filed with the Secretary of State.	Working with DOC, MSE should adopt very detailed inmate use rules to be updated periodically. These rules should encompass the hiring, working, training, dismissing, and securing of inmates, and be filed with the Secretary of State.
6	34-36	Earned Time Allowance Laws	The Legislature should amend MISS. CODE ANN. Section 47-5-138 (1972) to allow inmates to earn time concurrently with and because of positive conduct and performance (such as a day off for a day worked) and to eliminate the current earned time allowance.		
7	31	Inmate Training			Guided by DOC's master plan for training, working and employing (rehabilitating) inmates, the board should evaluate its authorization to establish classroom training or auxiliary programs with community colleges.
8	33-34	Inmate Security	The Legislature should amend MISS. CODE ANN. Section 47-5-553 (1972) to make DOC responsible for providing security in work areas, to have MSE reimburse DOC for these costs, and to have such obligations reflected in the entities' executed lease agreement.		

X

Exhibit A (Continued)

Recommendation Number	Finding Page Numbers	Subject	Mississippi Elected Officials	Department of Corrections	Magnolia State Enterprises
9	33-34	Inmate Security		Until resolved by legislative action, DOC should evaluate and certify, on a six-month basis, MSE's security, noting deficiencies and improvements needed. DOC should pay particular attention to areas where MSE works custody "B" inmates.	
10	33-34	Inmate Security			MSE should immediately negotiate for DOC's provision of sufficient work area security. MSE should reimburse DOC for these costs.
11	29-30	Post-Release Job Placement		To monitor inmate post-release job placement and recidivism, DOC should implement the Division of Offender Services' inmate-tracking computerized system by July 1, 1984, annually reporting such information to the Legislature.	
12	36-37	Marketing			As part of its strategic plan, the board should write a marketing plan to provide future sales direction while considering its legal missions. The plan should also include marketing feasibility studies, hearings and other aspects required by law.
13	16-18	Profitability			MSE's CEO should develop product pricing methods to recover all operating expenses by implementing a cost accounting system and methods of overhead allocation to allot indirect costs to production.
14	16-18, 20-22	Budgeting and Control of Costs			The board should develop policies and procedures to assist the CEO in monitoring MSE's administrative and divisional budgets in order to control costs. The board should establish time tables and procedures for the review and adjustment of these budgets.
15	22-24	Public Purchasing Law	The Legislature should amend MISS. CODE ANN. Section 31-7-1 (e) (1972) to clarify the definition of "commodities purchased for resale," relieving state entities that practice manufacturing or other forms of commodities conversion from bid requirements.		
16	18-20	Reducing Costs of State Government			The board should research and study options available to reduce the costs of state government, such as returning a portion of positive net revenues to the state to reimburse for inmate housing and board.
17	16-37	Measuring Performance		DOC should be deeply involved in the establishment of measurable standards and outcomes of the prison industries program, such as rehabilitation of inmates and post-release job placement.	The board should hold MSE's CEO and managers accountable through a written and verbal reporting system, measuring accomplishments of outputs with inputs to determine efficiency; and outputs to established standards to measure program effectiveness.

The Mississippi Legislature

**Joint Committee on Performance Evaluation and Expenditure Review**

**PEER Committee**

**SENATORS**  
TRAVIS L. LITTLE  
Chairman  
JIM BEAN  
WILLIAM CANON  
WILLIE SIMMONS  
JOSEPH T. STOGNER

**TELEPHONE:**  
(601) 359-1226

**FAX:**  
(601) 359-1233  
(601) 359-1420



Post Office Box 1204  
Jackson, Mississippi 39215-1204

John W. Turcotte  
Director

**REPRESENTATIVES**

CECIL McCRORY  
Vice-Chairman  
ALYCE G. CLARKE  
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DAVID HALBROOK  
MORRIS LEE SCOTT

**OFFICES:**  
Professional Building  
222 North President Street  
Jackson, Mississippi 39201

January 19, 1994

Honorable Kirk Fordice, Governor  
Honorable Eddie Briggs, Lieutenant Governor  
Honorable Tim Ford, Speaker of the House  
Members of the Mississippi State Legislature

At its meeting of January 19, 1994, the PEER Committee authorized release of the report entitled **A Performance Audit of Magnolia State Enterprises and the Prison Industries Program.**

A handwritten signature in black ink, appearing to read "Travis Little", written over a horizontal line.

Senator Travis Little, Chairman

**This report does not recommend increased  
funding or additional staff.**

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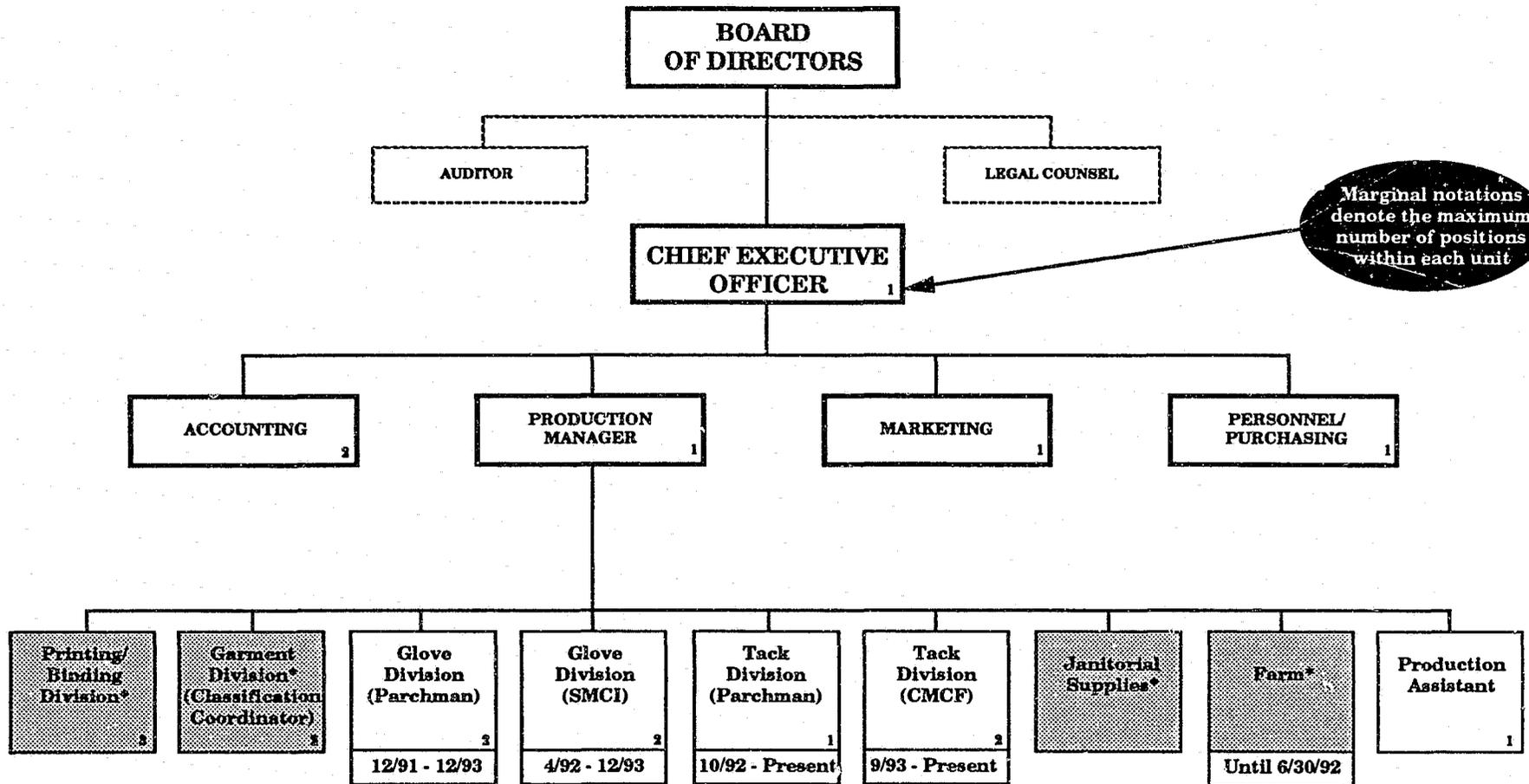
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**Exhibit 2  
Magnolia State Enterprises  
Organization Chart  
(As of December 31, 1993)**



Marginal notations denote the maximum number of positions within each unit

Boxed notations represent begin and end dates of various divisions

\* Transferred from DOC correctional industries on February 1, 1991.

SOURCE: Compiled by PEER staff from Magnolia State Enterprises information.

Contracted Professionals

Transferred Unit\*

- State Penitentiary, Parchman
- Central Mississippi Correctional Facility, Rankin County
- South Mississippi Correctional Institution, Leakesville

### **Prison Industries**

As discussed at page 6, the corporation received the assets of the prior correctional industries operated by DOC. Along with these it received the obligations of the operating prior industries transferred to the corporation.

As presented at the organization chart at Exhibit 2, page 11, the majority of MSE's work is in six industries/areas. Four of these industries transferred from DOC:

- Printing and bookbinding,
- Garment manufacturing,
- Janitorial supplies, and
- Farm operations.

The two most significant industries that MSE started included manufacturing of leather goods (equine tack) and gloves through joint ventures with for-profit businesses. Under these joint ventures, MSE received the raw materials from the businesses wherein inmates applied labor by piecing and sewing.

MSE also performed one-time and limited projects related to highway construction and school pictures. Fulfillment of the school pictures contract was performed at the Central Mississippi Correctional Facility in the fall of 1991 and 1992, producing gross revenues of \$24,597.

The following paragraphs describe these industries in more detail. Exhibit 3, page 13, presents a listing of MSE's products and services. Appendices B and C, pages 52 - 62, provide detailed revenue and expenses as earned by these industries during the audit period.

#### *Industries Transferred from DOC*

*Print Shop/Bookbindery:* The print shop/bookbindery operated separately under DOC's Mississippi Correctional Industries before being transferred to MSE under the *Mississippi Prison Industries Act of 1990*. In July of 1991, MSE combined the two operations by combining and downsizing staff, equipment, and factory space.

Prior to this transfer most of the print shop work was for DOC. MSE expanded the shop's customer base to include the agencies listed in Exhibit 3, page 13. The print shop's inmate workers are generally trained in both printing and bookbinding.

**Exhibit 3**  
**Magnolia State Enterprises**  
**Products, Services and Customers**

<b>Industries</b>	<b>Products and Services</b>	<b>Customers</b>
<b>Print shop</b>	Printed documents including stationery and envelopes, carbonless forms, business cards, newsletters, books and booklets.	State agencies: Corrections, Disability Determination Services, Economic & Community Development, Education, Human Services, Finance & Administration, Forestry Commission, Medicaid, Mental Health, Office of the Governor, Public Safety, Public Service Commission, Secretary of State, State Personnel Board, Vocational Rehabilitation, and Worker's Compensation Commission. Legislature: House of Representatives & Senate.
<b>Bookbinding</b>	Rebinds textbooks and binds periodicals, library books, law journals, and legal documents.	Mississippi public schools, Institutions of Higher Learning, State Law Library, Tougaloo College, State Supreme Court, U. S. Court of Appeals, Department of Health's Bureau of Vital Statistics.
<b>Garment factory</b>	Inmate clothing: pants, shirts, jackets, pre-release pants, two-piece jail suits. Inmate supplies: sheets, wash towels, blankets, pillowcases, bath towels. Green fire retardant coveralls, jackets and pants.	Department of Corrections, Sheriff's Departments and County Jails, Preston Glove Company
<b>Equine Tack (Parchman and CMCF)</b>	Assembles leather material provided by E&I: saddles, saddle bags, horn bags, breast collars, billets, halters, gun boots, spur and girth straps, bridles, head stalls, metal saddle racks, wall mount saddle racks, breeding harnesses, work bridles, halter leads, and braided rein strings	E & I Tack Company (under joint venture)
<b>Glove Operations (Parchman and SMCI)</b>	Assembles materials provided by Preston into a variety of work gloves.	Preston Glove Company (under joint venture)
<b>School pictures</b>	Retouched negatives of school pictures.	Josten School Pictures (under joint venture) (seasonal 1991-1992)
<b>Highway crew</b>	Renovated and repaired a roadside park	State Department of Transportation (one time)
<b>Janitorial supplies</b>	Floor wax, detergents, disinfectants, laundry soap, furniture polish	Department of Corrections and state agencies (inactive)

SOURCE: Compiled by PEER staff from information provided by Magnolia State Enterprises.

During the audit period, printing/bookbinding produced \$610,600 in sales revenues, or 37.4 percent of total sales. Approximately 43 percent of the shop's direct expenses of \$487,559 were for paper and materials with 40 percent going for inmate and non-inmate wages.

*Garment Factory:* The garment factory represents a significant industry for MSE at 40 percent of total sales for the audit period. It transferred from DOC's correctional industries, wherein it manufactured primarily inmate pants and shirts for DOC. MSE now produces all DOC inmates' clothing. During the audit period, the garment factory spent \$397,635, or 71 percent, of its direct expenses for materials (e.g., fabric, thread).

*Janitorial Supply Plant:* Janitorial supply production is not an active industry for MSE; it provided approximately 1 percent of sales during the audit period. Under DOC this industry had produced supplies for state agency use. MSE planned to furnish selected state agencies with a total of fourteen janitorial products; however, these agencies purchased only a minimum amount of products. MSE has temporarily closed the plant and locked up inventory. DOC and MSE are currently investigating the possibility of reopening the operation to sell the inventoried products.

*Farm Operations:* MSE maintained the farm (agri-business) from February 1, 1991, until June 30, 1992, when it was statutorily moved directly under DOC's authority. The farm operation received revenues from land leases on the State Penitentiary, with the main function to supplement DOC inmate food needs. Because the farm is no longer a part of MSE, this performance audit did not focus on the performance of farm operations.

#### *MSE-Initiated Industries*

*Equine Tack:* MSE's equine tack shop is a joint venture contract with E&I Tack and Saddlery Company, d/b/a Southern Trading Company. It began operations in September 1992, producing only a nominal amount of sales during the audit period.

Southern Trading Company provides and pays for all production equipment and raw materials (including freight charges) necessary to produce the products covered by the contract. MSE is responsible for providing the production facilities, utilities, labor, supervision, and quality control during manufacture.

*Glove plant:* MSE's glove operation represents a joint venture contract with Preston Glove Company, Inc., which began December 1991. Preston Glove Company provides MSE with all pre-cut materials, thread, boxes, tags, labels, equipment and spare parts, transportation and/or freight. MSE is responsible for providing the production facilities, labor, and supervision.

During the audit period, glove sales represented approximately 8 percent of total sales revenue. MSE's primary expense associated with the work is inmate and non-inmate labor at 88 percent of direct costs.

MSE maintained glove operations at two locations until December 1993. As discussed in the Subsequent Activities section, page 38, U. S. Customs closed MSE's glove operations on December 9, 1993. U. S. Customs maintains allegations against Preston Glove (not MSE) in the illegal interstate movement of inmate-produced goods and other charges related to unfair competition.

## *Economy and Efficiency*

**MSE has not satisfactorily fulfilled its legislative mission to manage its operations as a profit-making enterprise, primarily due to lack of strong management controls and innovations compounded by its reliance on supplemental state revenues.**

MISS. CODE ANN. Section 47-5-533 (2) (1972) includes in the mission of prison industries the requirements to reduce costs of state government by using primarily inmate labor while "duplicating as nearly as possible, the operating activities of a free-enterprise type of profit-making enterprise." However, during the audit period MSE placed strong reliance on state supplemental funding, and management provided inadequate planning and direction toward profitable operations.

MSE received distributions of Inmate Welfare Funds and appropriations for its farm operations in the form of land lease rentals. MISS. CODE ANN. Section 47-5-158 authorizes MSE's receipt of 50% of Inmate Welfare Funds until July 1, 1994. In addition, MSE received the farm land rentals until July 1, 1992, when the farm was transferred under direct control of DOC through Prison Agricultural Enterprises.

Considering MSE's legislative mission to operate as a profit-making enterprise, the intent of this supplemental state funding is to assist the prison industry through start-up operations. However, MSE has not developed the necessary systems to operate as a profit-making enterprise and appropriately reduce the costs of state government.

### **Inadequate Sales Revenues**

- ***MSE did not price products and services to provide adequate sales revenues to recover all expenses; thus, it has remained dependent on supplemental state-provided revenues to maintain its operations.***

As presented at Exhibit 4, page 17, MSE did not earn sufficient sales revenues to recover all the expenses of operating the industries. From February 1, 1991, through December 31, 1992, MSE's total expenses of \$2,375,898 exceeded sales revenues of \$1,633,648, by 45%. In other words, MSE only retrieved 69% of total costs from sales revenues.

MSE used other revenues, primarily state funding, to supplement and support operations. MSE has neither planned for the mandated discontinuance of the Inmate Welfare Funds, effective July 1, 1994, nor taken steps to operate as a profit-making enterprise.

Correspondingly, one of the primary weaknesses evidenced in MSE's operations is its method of establishing unit sales prices for products and services. During the audit period, MSE established sales prices based on the primary consideration of recovering direct costs of operation only. MSE

**Exhibit 4**  
**Magnolia State Enterprises - Total Activity (All Divisions)**  
**Revenue and Expenses**  
**February 1, 1991, through December 31, 1992**

	<b>Six Months Ended December 31, 1992</b>		<b>Fiscal Year Ended June 30, 1992</b>		<b>Five Months Ended June 30, 1991</b>		<b>Total Activity February 1, 1991- December 31, 1992</b>	
<b>Sales</b>	\$488,789	100.00%	\$975,229	100.00%	\$169,630	100.00%	\$1,633,648	100.00%
<b>Direct costs</b>								
Inmate Labor	64,734	13.24%	94,874	9.73%	0	0.00%	159,608	9.77%
Non-inmate labor	83,440	17.07%	263,134	26.98%	131,572	77.56%	478,146	29.27%
Travel	524	0.11%	2,518	0.26%	387	0.23%	3,429	0.21%
Contractual services	20,500	4.19%	93,673	9.61%	27,470	16.19%	141,643	8.67%
Materials	176,024	36.01%	411,620	42.21%	73,832	43.53%	661,476	40.49%
Supplies	16,508	3.38%	61,262	6.28%	25,762	15.19%	103,532	6.34%
Depreciation	0	0.00%	8,014	0.82%	219	0.13%	8,233	0.50%
<b>Subtotal direct costs</b>	<b>361,730</b>	<b>74.01%</b>	<b>935,095</b>	<b>95.88%</b>	<b>259,242</b>	<b>152.83%</b>	<b>1,556,067</b>	<b>95.25%</b>
<b>Gross Profit</b>	<b>127,059</b>	<b>25.99%</b>	<b>40,134</b>	<b>4.12%</b>	<b>(89,612)</b>	<b>(52.83)%</b>	<b>77,581</b>	<b>4.75%</b>
<b>Indirect costs</b>								
Inmate labor	8,745	1.79%	8,807	0.90%	0	0.00%	17,552	1.07%
Non-inmate labor	101,305	20.73%	210,490	21.58%	44,062	25.98%	355,857	21.78%
Travel	10,440	2.14%	18,449	1.89%	10,698	6.31%	39,587	2.42%
Contractual services	77,638	15.88%	174,507	17.89%	45,769	26.98%	297,914	18.24%
Supplies	8,976	1.84%	47,016	4.82%	43,468	25.63%	99,460	6.09%
Depreciation	8,000	1.64%	1,229	0.13%	232	0.14%	9,461	0.58%
<b>Subtotal indirect costs</b>	<b>215,104</b>	<b>44.01%</b>	<b>460,498</b>	<b>47.22%</b>	<b>144,229</b>	<b>85.03%</b>	<b>819,831</b>	<b>50.18%</b>
<b>Income (loss) before other revenue (expenses)</b>	<b>(88,045)</b>	<b>(18.01)%</b>	<b>(420,364)</b>	<b>(43.10)%</b>	<b>(233,841)</b>	<b>(137.85)%</b>	<b>(742,250)</b>	<b>(45.44)%</b>
Farm appropriation	(13,484)	(2.76)%	317,517	32.56%	172,835	101.89%	476,868	29.19%
Inmate Welfare Funds	117,707	24.08%	350,105	35.90%	121,869	71.84%	589,681	36.10%
Interest Income	11,573	2.37%	22,877	2.35%	7,163	4.22%	41,613	2.55%
Other	9,106	1.86%	(15,122)	(1.55)%	26,795	15.80%	20,779	1.27%
	<b>124,902</b>	<b>25.55%</b>	<b>675,377</b>	<b>69.25%</b>	<b>328,662</b>	<b>193.75%</b>	<b>1,128,941</b>	<b>69.11%</b>
<b>Net Income (Loss)</b>	<b>\$36,857</b>	<b>7.54%</b>	<b>\$255,013</b>	<b>26.15%</b>	<b>\$94,821</b>	<b>55.90%</b>	<b>\$386,691</b>	<b>23.67%</b>

SOURCE: PEER compilation and analysis of Magnolia State Enterprises' audited and compiled accrual basis financial statements.

does not allocate administrative and overhead costs to product and service lines when establishing rates.

Because of this unsuitable pricing method, MSE just barely recovered direct costs and did not provide satisfactory revenues to fund indirect costs of operation. As presented at Exhibit 4, page 17, direct costs totaled \$1,556,067 during the audit period. Sales revenues just exceeded those direct costs by \$77,581, or 4.75%. These total direct costs represent 65% of the period's total operating expenses. Indirect costs of \$819,831 were funded primarily by state monies.

A contributing factor to MSE's non-compliance with MISS. CODE ANN. Section 47-5-533 is its lack of a proper cost accounting system. MSE does not maintain a system that could satisfy its need to accumulate, allocate, monitor and apply all costs to divisions, products and services. A cost and managerial accounting system is an important and necessary factor for proper evaluation and establishment of unit sales prices.

MSE performs the distribution of indirect costs at the end of each fiscal period for financial reporting purposes only. The annual distribution is based on each division's percentage of sales revenues to total sales revenues. Appendices B and C, pages 52 - 62, present details of revenues, direct expenses, and indirect expenses as allocated based on this method.

One of the most significant methods to assure business profitability is proper management and accountability of costs. Proper management toward profit-making operations requires direction from MSE's board and management. MSE's lack of established goals, plans and guidance has contributed to this lack of strong efficient and effective pricing methods and the systems necessary to carry it out. (See finding, page 20.)

### Reduction of State Government Costs

- ***MSE's operation of the prison industries program did not directly or measurably reduce costs of state government during the audit period, and MSE has no long-range plans that would significantly reduce costs to state government.***

In addition to operating at a profit and not requiring supplemental state funding, there are other methods by which MSE may reduce costs of state government, such as:

- indirectly by providing goods and services to state agencies at costs less than the market, competitive, or negotiated prices/rates,
- directly by depositing funds with the state for reimbursement of inmates' housing and board and/or state personnel taxes,
- purchasing buildings, property, and equipment with earned revenues that will revert to the Department of Corrections if the

corporation dissolves, as mandated by MISS. CODE ANN. Section 47-5-551.

### *Indirect Effect*

MSE has attempted to reduce the costs of state government indirectly by selling products and services to state agencies. Nevertheless, MSE is unable to measure the true financial impact and cost savings from sales to state agencies. MSE has not maintained cumulative or complete production records or accumulated other product or services data to determine its effect on reducing the costs of state government. It cannot provide details to support the degree of services or number of products sold to customers. Exhibit 3, page 13, provides a listing of the type of MSE products/services provided and state agencies served during the audit period.

### *Direct Effect*

Depositing funds with the state: MSE has not provided any direct reduction of costs of state government. In particular, the prison industry has not returned any funds directly to the state to reimburse inmate room and board. MSE's contribution toward the reduction of costs of housing inmates would be a significant and efficient way to accomplish the legislative intent of the law.

MSE has options to reduce prison costs directly. Federal law related to prison-made goods, 18 U.S.C. § 1761, allows entities to pay inmates wages (not less than for similar work in area) and withhold up to 80% of those wages for redistribution to others, such as:

- taxes (federal, state, local);
- reasonable charges for room and board as determined by regulations (issued by the chief state correctional officer);
- allocations for support of family pursuant to state statute, court order, or agreement by the offender; and
- contributions to any fund established by law to compensate victims of crime (not less than 5% and not more than 20%).

MSE's board and management have not offered adequate direction and have discouraged innovative methods of meeting legislative goals by not providing strong written long-range goals, mission, or objectives. MSE's apparent objective has been to reduce inmate idleness (as required per CODE Section 47-5-533 [c]) without a complete analysis of efficient and effective methods to meet all statutory requirements.

Also, MSE's lack of a marketing plan or techniques necessary to effect positive business development has weakened revenues. MSE has been ineffective in creating positive sales and innovative ways of saving the state money. (See Finding, page 36.)

Purchasing buildings and property: Since MSE began operations in 1991, it has purchased fixed assets to satisfy its administrative and operating needs. These fixed assets are the property of the corporation, unless MSE is dissolved or the lease expires (see page 7). As directed by MISS. CODE ANN. Section 47-5-551:

*. . .all funds, buildings, land, furnishings, equipment and other chattels subsequently purchased or otherwise acquired by the corporation in connection with its continued operation of that program, automatically reverts to full ownership by the department.*

During the audit period from January 1, 1991, through January 1, 1993, MSE purchased furniture, equipment and vehicles costing \$154,624. The corporation also constructed and improved work area buildings at a cost of \$107,610. Exhibit 5, page 21, presents MSE's fixed assets activity for the audit period.

In April 1993 (subsequent to this audit period) MSE experienced a fire in the tack operations area, resulting in a loss of buildings with a total cost of \$16,185. However, MSE received insurance proceeds of \$15,412 to offset this loss, and rebuilt the building at a cost of \$17,455.

### **Cost Controls and Cost Efficiency**

**MSE's board has not provided strong written goals, objectives, plans, or comprehensive policies, which has negatively affected MSE's ability to control, allocate, monitor, and account for costs efficiently.**

MISS. CODE ANN. Section 47-5-541 requires that MSE (the corporation) be governed by a board of directors. That statute also requires the following:

*The board of directors shall make and publish policies, rules and regulations governing all business functions, including but not limited to accounting, marketing, purchasing and personnel, not inconsistent with the terms of this chapter [Sections 47-5-531 through 47-5-575], as may be necessary for the efficient administration and operation of the corporation.*

In order for the board to meet this statutory requirement, it must identify and document the goals of the corporation. The goals should be guided by the legislative mission of the prison industry program.

Efficient and effective operational management practices dictate that organizations document goals and objectives and develop strategic plans outlining specific methods to meet those goals. Strategic plans should provide a basis for short-range and long-range planning to meet objectives. Policies of the organization should support the strategic plans.

**Exhibit 5**  
**Magnolia State Enterprises**  
**Fixed Assets Activity**  
January 1, 1991, through January 1, 1993

	<u>Buildings and Improvements</u>	<u>Property and Equipment</u>	<u>Total Fixed Assets</u>
<b><u>Department of Corrections:</u></b>			
Fixed assets leased to Magnolia State Enterprises (2/1/91 estimated values)	<u>\$209,315</u>	<u>\$359,007</u>	<u>\$568,322</u>
<b><u>Magnolia State Enterprises:</u></b>			
Five months ended June 30, 1991	--	\$11,717	\$11,717
Fiscal year ended June 30, 1992	\$77,716	131,257	208,973
Six months ended December 31, 1992	<u>29,894</u>	<u>11,650</u>	<u>41,544</u>
<b>Totals</b>	<u>\$107,610</u>	<u>\$154,624</u>	<u>\$262,234</u>

- NOTES: • Magnolia State Enterprises depreciates fixed assets using the straight-line basis over the assets' estimated useful lives, five to forty years.
- There were no deletions during the audit period.

SOURCE: PEER analysis of purchases per  
Magnolia State Enterprises' fixed asset records,  
audited financial and special purpose statements  
and lease agreement.

However, MSE's board has not fulfilled its obligation to provide this type of governance. The only plans that MSE operated under during the audit period were short-term in duration (six to twelve months) consisting of the Chief Executive Officer's (not the board's) general observations and statements of objectives. The plans were not guided by board goals and objectives. The board only reviewed the plans and did not approve the CEO's plans or objectives.

Moreover, MSE's short-term plans do not provide employees with the necessary details to motivate positive action. Objectives are unclear without sufficient recommended actions. The plans do not include:

- distinct activities to meet objectives,
- consistent identification of responsible parties,
- defined and specific tasks, or
- outlined timetables.

Furthermore, the most profound weakness is that MSE has not estimated the costs of performing activities or tied the plans to budgets.

The most evident consequence of the board's lack of planning is MSE's lack of defined and written budgeting, allocation, controls, and costing procedures. MSE's policies and procedures do not include any guidelines on budgeting and control of costs.

MSE establishes production and expense budgets by division for each fiscal period. However, it has no standard and uniform procedures for monitoring and adjusting budgets. MSE employees adjust these budgets without formal written and authorized justification and without standards to regulate and control the functions.

MSE has not used the budgeting system to allocate indirect costs and price products to recover costs at least at the break-even point. MSE's weak control and allocation of costs have yielded its negative financial operating results (deficits), as presented at Exhibit 4, page 17. (See finding, page 16.)

The corporation has resources available to assist it in this area, but has neglected to use all this assistance to help with planning and goal setting. CODE Section 47-5-547 states: "Mississippi Delta Community College shall provide assistance in business planning, marketing and analysis of existing or projected industries."

**The Office of Purchasing and Travel directed MSE to adhere to state bid requirements in the purchase of materials, which has altered its ability to operate as a competitive vendor and an efficient profit-making enterprise.**

MISS. CODE ANN. Section 47-5-549 authorizes MSE's sales to state entities (and other governments and private entities) without any restrictions or purchasing requirements, other than for the corporation's reasonable efforts to purchase raw materials from in-state vendors:

*The corporation shall make reasonable efforts to purchase raw materials from in-state vendors. The prices for industry-made products shall be established by the board of directors of the corporation or its designee.*

There is no reference to the state's public purchasing laws or defining of the corporation as a state agency for such purposes.

However, the Official Attorney General's Opinion dated May 24, 1991, guides MSE to conform to public purchasing laws under the statute's broad definition of "agency." MISS. CODE ANN. Section 31-7-1 defines an "agency" as follows:

*. . . any state board, commission, committee, council, university, department or unit thereof **created by the Constitution or statutes** if such board, commission, committee, council, university, department, unit or the head thereof is **authorized to appoint subordinate staff** by the Constitution or statute, except a legislative or judicial board, commission, committee, council, department or unit thereof.*  
[Emphasis added.]

However, CODE Section 31-7-1 (e) excludes commodities purchased for resale from the definition of "commodities" which generally are required to satisfy the bid laws of CODE Section 31-7-13.

MSE's purchases of production materials are commodities purchased for resale. MSE applies labor to the materials and sells the goods as intended by its governing laws. Nevertheless, in response to a verbal inquiry from MSE, Don Buffum, Director of the Department and Finance and Administration's Office of Purchasing and Travel, verbally advised MSE to comply with the state bid requirements in MISS. CODE ANN. Section 31-7-13 for its production materials.

Mr. Buffum stated that he interprets the exclusion in MISS. CODE ANN. Section 31-7-1(e) to not include commodities purchased for resale wherein labor is applied (or form is changed before sale.) Also, he construed that CODE Section 31-7-13 (m) (xx) exempts state agencies' purchases involving items manufactured/produced by MSE from state bid requirements. He stated that particular exemption removes competition from the laws for state agencies' purchases from MSE. Mr. Buffum stated that to keep competition in state agencies' commodities purchases from MSE, he advised MSE that its commodity purchases for resale are not exempt from the bid requirements.

MSE acted on DFA's verbal recommendation without the guidance from an Official Attorney General's opinion interpretation of CODE Sections 47-5-549, purchasing/pricing requirements, and 31-7-1(e), exemption of commodities for resale.

DFA's recommendation emerges as a contradiction of the legislative intent of MSE's statutory mission as an efficient profit-making enterprise

and seems to disagree with the statutory exemption of commodities for resale from bid requirements. Also, it seems that DFA overlooked the fact that MSE establishes competitive sales prices for its goods just as any other business entity. The fact that state agencies are exempt from state bid requirements when purchasing from MSE does not require them to purchase from MSE.

MSE's bidding of production materials negatively affects its ability to operate in the most efficient manner and as a manufacturing business should be able. In particular, if a purchase is greater than \$5,000 (in the case of materials), the bid law requires MSE to:

- advertise for competitive sealed bids once each week for two consecutive weeks,
- open bids not less than seven working days after the last notice, and
- accept and offer the award to the lowest and best bidder.

After the vendor is selected based on these procedures, MSE has delayed productivity by at least three weeks. The vendor then has to ship the goods, which can delay the order another week.

An efficient profit-making enterprise cannot afford to have orders or production delayed three to four weeks. To be efficient and effective, MSE must be able to respond quickly to customers' order requests and not be hindered by purchasing delays. MSE must be able to take advantage of supplier discounts and special offers. Under the current situation, it cannot.

## *Effectiveness*

**DOC has not met its obligations of the prison industries act, which has prevented MSE from effectively achieving the statutory mission to reduce inmate idleness and rehabilitate inmates toward post-release employment. Also, MSE has not been effective or complied with statute in marketing of industries and has not provided complete training of inmates.**

As discussed at page 6 and outlined at Exhibit 1, page 8, in addition to reducing the cost of state government, the *Mississippi Prison Industries Act of 1990* mission influences areas of program effectiveness. MISS. CODE ANN. Section 47-5-533 (1) states that:

*prison industry programs of the State Department of Corrections are uniquely different from other programs operated or conducted by other departments in that it is essential to the state that the prison industry programs provide inmates with **useful activities that can lead to meaningful employment after release** in order to assist in reducing the return of inmates to the system. [Emphasis added.]*

CODE Section 47-5-533 (2) further describes the legislative mission to operate prison industries primarily with inmate labor while not unreasonably competing with private enterprise. That statute addresses the missions related to inmates as:

*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; and*

*To serve the **security goals** of the state by reducing the idleness of inmates and by providing an incentive for good behavior while in prison. [Emphasis added.]*

Within the directives of the *Mississippi Prison Industries Act of 1990* DOC and MSE have specific responsibilities and duties to assure that these missions are accomplished effectively and the necessary steps are taken to measure the outcome of inmate training and rehabilitation.

Neither the Department of Corrections nor Magnolia State Enterprises has satisfied legislative intent related to program outcome and effectiveness.

DOC has failed to:

- provide an overall structure, master plan, logical sequence and guidelines for inmate training and correctional work programs,
- establish a concept of the potentially rehabilitative inmate,

- meet the needs of MSE toward goals in the classification, assignment, and transferring of inmates,
- furnish inmate post-release job placement as part of a master plan, and monitor and report placement outcomes,
- evaluate and certify MSE security needs and compliance with inmate security, and
- adopt rules necessary to govern the use of inmates by MSE and file them with the Secretary of State.

MSE has failed to:

- perform marketing feasibility studies before establishing new industries,
- hold public hearings to determine the impact of new industries on private sector markets,
- commence negotiations for new industries with the Department of Corrections or Secretary of State designees as mediators,
- utilize available resources through the community colleges to offer inmates training or auxiliary programs along with on-the-job training,
- utilize Mississippi Delta Community College's assistance toward development of business plans, marketing and analysis of industries,
- provide sufficient inmate security within the parameters of the prison industry work areas, and
- seek DOC legal counsel approval of inmate policies and file such with the Secretary of State.

### **Inmates**

As required by the MISS. CODE ANN. Section 47-5-533, MSE operates the prison industries program primarily with inmate labor. MSE was working 388 inmates at January 1, 1993 (the end of the audit period), or twenty-seven times the fourteen non-inmate employees.

However, because DOC and MSE have been ineffective in accomplishing the prison industries program's goals (as described in findings, pages 28 - 36), the number of working inmates has not met the potential or full intention of the program.

Exhibit 6, page 27, presents a summary of the number of inmates working at MSE at the end of each fiscal period from January 1, 1991, through January 1, 1993. The number of working inmates is compared with DOC compiled inmate data (total number of inmate beds and inmates available to work at MSE).

Because neither DOC nor MSE accumulates data or statistics related to inmates working in the program (see finding at page 29), these numbers represent the number of inmates on MSE's payrolls at those dates. Also, DOC had not previously evaluated the number of inmates available to work at MSE, but compiled this information when requested by PEER. Thus,

**Exhibit 6**  
**Magnolia State Enterprises**  
**Number of Inmates Worked**  
**January 1, 1991, through January 1, 1993**

Period Ended	*State Penitentiary	South Miss. Correctional Institution	Central Miss. Correctional Facility	Total
June 30, 1991	155	--	--	155
June 30, 1992	258	23	37	318
December 31, 1992	290	82	16	388

**Comparison with  
1993 Inmate Data:**

Total Inmate Beds	5781	750	726	7,257
December 31, 1992 % of Inmate Beds	5.0%	10.9%	2.2%	5.3%
Inmates Available**	857	200	104	1,161
December 31, 1992 % of Inmates Available	33.8%	41.0%	15.4%	33.4%

\* Excludes inmates working in farm industry program:  
108 at June 30, 1991, and 143 at June 30, 1992.

\*\*DOC estimate of number of inmates available to work at MSE =  
total inmate beds less beds in restricted units or  
designated for other programs.

**SOURCE:** PEER analysis of MSE and DOC inmate data.

PEER is only able to present information at specific points in time, rather than total of inmates (individuals) served.

As shown by Exhibit 6, page 27, MSE had 388 inmates employed at January 1, 1993. This number of MSE working inmates represents the following proportion of inmates at January 1, 1993:

Percentage <u>Worked</u> 5.3%	<u>In Regard To</u> 7,257--total inmate population (at three MSE work locations)
33.4%	1,161--DOC's estimate of inmates available to work at MSE

As further explained by Exhibit 6, page 27, DOC estimated the number of inmates available to work at MSE by deducting the number of inmates that are assigned to other work, training or rehabilitation areas. These areas include maximum security, special needs, alcohol and drug, pre-release, agricultural work, institutional work/support, disabled, education programs.

#### *Rehabilitation*

- ***DOC has not complied with MISS. CODE ANN. Section 47-5-573, which requires that the department provide a master plan for correctional work programs and guidelines for a logical sequence of training, employment, and post-release job placement.***

To assure the overall success of the prison industries program, CODE Section 47-5-573 requires DOC to establish guidelines and a master plan for MSE to follow. The CODE section states that in establishing the guidelines and master plan:

*. . . it shall be the objective of the department to develop a logical sequence of vocational training, employment by correctional work programs, and post-release job placement for inmates participating in correctional work programs.*

DOC has not provided a master plan or guidelines for MSE and the correctional work program. DOC has neither defined nor established a concept of a potentially "rehabilitated" inmate, as required by that same CODE Section. Therefore, there is no coordinated effort between DOC and MSE to train and rehabilitate inmates.

Because DOC has not established a logical sequence to train, rehabilitate, and employ inmates, it does not consider these factors during the inmate admission and classification process.

Chapter Eight of DOC's *Policies and Procedures Manual* documents the department's rules on classification of inmates. DOC's policies provide no distinct criteria for inmates' employment in correctional work

programs, even though the policies contain written specifications for inmates to work in Community Work Centers.

Section 08.04 related to inmate employment only states that work supervisors are to request from the Division of Offender Services inmates to meet job skills requirements, and the assigned Unit Case Managers will select the inmates who meet the job criteria for an interview. This selection is not based on a logical and speculative sequence for inmates' individual training and rehabilitation needs.

By not complying with this statutory requirement related to prison industries, DOC has not explicitly satisfied the state's overall policy related to the correctional system. MISS. CODE ANN. Section 47-5-1 affirms this associated policy of the state:

*Those convicted of violating the law and sentenced to a term in the state correctional system shall have humane treatment, and be given opportunity, encouragement and training in the manner of reformation.* [Emphasis added.]

- ***DOC has no significant inmate job placement program, and has neither tracked inmates' post-release job placement nor the return of those inmates to the correctional system. The only inmate post-release job placement program is through JTPA pre-release job assistance, which is able to place only 7% of total inmates departing from the correctional system.***

As discussed at page 28, MISS. CODE ANN. Section 47-5-573 requires the department to provide guidelines for the development of the correctional work programs. It also mandates DOC's objectives of training, work, and post-release job placement. These objectives enforce the *Mississippi Prison Industries Act's* overall mission to:

*. . . provide inmates with useful activities that can lead to meaningful employment after release in order to assist in reducing the return of inmates to the system.*

MISS. CODE ANN. Section 47-5-559 also requires the department to report information related to the status and outcome of the work programs:

*The department shall include, as a portion of its annual report, a report on post-release job placement and the rate of subsequent contact with the correctional system for those inmates who have participated in the correctional work programs operated by the corporation and by the department.*

In order to comply with this statutory reporting requirement, DOC must satisfy its other obligations to establish a master plan and program for inmates' training, employment by correctional work programs, and post-release job placement. (See finding at page 28.)

However, post-release job placement has not been an obvious priority of the department. The only job placement assistance that DOC provides inmates is through the Pre-Release Job Assistance Program (at Parchman only). Pre-Release receives federal funds from the U. S. Department of Labor, Job Training Partnership Act (JTPA), as passed-through the Mississippi Service Delivery Area (SDA).

The state has spent \$80,000 to \$120,000 per year for inmate post-release job placement. During the audit period the Pre-Release program was funded approximately 77% with federal funds. The most recent total annual budgets have ranged from approximately \$350,000 to \$400,000, including state and federal funding.

The result of DOC's limited job placement program is that DOC places only an average 7% of departing inmates in post-release employment. The following presents by the state fiscal year the number of inmates that DOC provided post-release job placement:

<u>Fiscal Year</u>	<u>Departing Inmates</u>	<u>Participated</u>		<u>Placed in Jobs</u>	
		<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
1991	3,937	478	12%	354	9%
1992	4,025	254	6%	195	5%
1993	5,118	515	10%	383	7%

Appendix D, page 63, provides more detail on the Pre-Release Job Assistance Program. All of the evaluations and activities of this job assistance program occur when inmates are about to be released or paroled, not when they enter the correctional system. DOC clearly does not screen and place every offender into the program.

Because DOC has not focused on inmate rehabilitation and post-release job placement, its classification rules and policies do not include significant guidelines for establishing incoming inmates into training or work programs. There is no fundamental effort to evaluate incoming inmates' individual training and rehabilitation needs.

In addition, when inmates work for MSE, DOC does not track or record any information of the work or training in inmates' records. Thus, DOC cannot determine which inmates went through training, worked at MSE, or what jobs they took after release. DOC also cannot answer questions related to recidivism for inmates that have worked in the prison industries program.

Positive outcomes and effectiveness of the state's prison industries and the correctional work program are the direct result of rehabilitation and post-release employment of inmates. The long-term effect, outcome, or deficiencies of the rehabilitation/work program can be measured by participating inmates' return to the correctional system. DOC has not taken the necessary actions to establish a comprehensive inmate training, rehabilitation and work program, much less the measurement and annual reporting to the Legislature.

- ***MSE has limited inmate rehabilitation to on-the-job-training by not offering classroom training or auxiliary programs with Mississippi Delta Community College and other community colleges, as statutorily authorized.***

MSE has resources available for its use to expand inmate training and more appropriately accomplish the legislative intent of the *Mississippi Prison Industries Act of 1990*; however, it has not used these services.

In transferring the training and auxiliary programs associated with prison industries prior to the act, MISS. CODE ANN. Section 47-5-547 states:

*The corporation is empowered and authorized to establish in participation with the Mississippi Delta Community College, any training or auxiliary program for existing prison industries or for any industries which the corporation might create. . . . These industrial services shall be contracted with appropriate community colleges when these industries are developed at other correction sites.*

A goal behind this statute is for inmates to receive more comprehensive training that could affect rehabilitation and employment.

The JTPA Pre-Release Assistance Program offers classroom training prior to post-release job placement. See Appendix D, page 63, for detailed activities. However, the participants in the Pre-Release program are not necessarily the same inmates who worked at MSE. Again, there is no coordinated effort by the department to assure that inmates receive needed training.

When Pre-Release receives an inmate into its program, it reacts to the needs of the inmate about to be released. Rather than DOC evaluating the training needs of inmates entering the system, DOC evaluates the training and employment needs of inmates departing the system (and only an insignificant number.) The result is that MSE reduces idleness of inmates working at the prison industries, yet DOC and MSE have not met the full potential of the act--to rehabilitate and employ inmates. This again can be attributed to DOC's lack of a master plan and guidance in the correctional work program.

#### *Reduction of Idleness*

- ***DOC has failed to meet MSE's needs because of its lack of clearly defined and documented classification criteria for inmates qualified for rehabilitation/work and regulations for expedient classification and movement of inmates for MSE work.***

MISS. CODE ANN. Section 47-5-555 sets requirements on DOC related to MSE's use of inmate labor:

*The department shall, subject to the necessary security requirements and the needs of the corporation, provide to the corporation sufficient inmate labor for the various prison industry programs.*

MISS. CODE ANN. Section 47-5-573 (3) further requires DOC to meet certain criteria when assigning inmates to work within MSE:

*The needs of the corporation shall be considered by the department when assigning and transferring prisoners to correctional institutions. The following criteria shall be used when assigning and transferring inmates:*

- (a) Skills of the inmate relevant to the corporation's industries;*
- (b) Security classification of the inmate relevant to the type of corporation's industry;*
- (c) Duration of availability of the inmate for employment by the corporation;*
- (d) Establishment of a concept of potentially rehabilitative inmate.*

As discussed at page 28, Chapter Eight of DOC's *Policies and Procedures Manual* documents the department's rules on classification of inmates. However, DOC's policies provide no distinct criteria for inmates' employment at MSE. DOC has not established a concept of potentially rehabilitative inmate. Furthermore, the department has not established written policies or strong standards for the placement in and movement of inmates to MSE's work program.

MSE must rely on DOC's classification process (Division of Offender Services) to obtain inmates to work. MSE requests inmates to meet job skills requirements, as needed, from Offender Services. Offender Services' Unit Case Managers select the inmates who meet the job criteria for an interview.

MSE's operational efficiency and program effectiveness depend on DOC's ability to respond quickly and completely to MSE's inmate needs. Because DOC has no written standards, MSE has experienced delays in filling open inmate positions. DOC Case Managers have been slow to respond to MSE Classification Coordinator's requests for inmate eligibility lists and interviewer documents, and in some cases have misplaced or lost MSE's inmate request documents.

Also, DOC guards bus inmates to and from MSE work locations, a practice which is also performed without any written standards, on-time rules or assurances that inmates are available to work. MSE has experienced delays in starting work days because of delays in inmate work arrivals.

These weaknesses are due not only to DOC's lack of classification criteria, but also a lack of rules on the use of inmates. CODE Section 47-5-563 requires MSE to adopt and DOC legal counsel to approve policies governing the use of inmates. Also, DOC is authorized to adopt its own rules governing the use of inmates by MSE. This statute requires DOC and MSE to file these policies and procedures with the Secretary of State. Such policies and procedures should include every aspect of working inmates, from security, transportation, and conditions to working hours.

A key factor of DOC's meeting MSE inmate needs is the department's awareness and involvement. To uphold this commitment, CODE Section 47-5-541 mandates that the superintendent of Parchman attend all meetings of the board of directors (and other facility superintendents when related business is discussed). However, the superintendents of the correctional facility locations have not been consistently involved in the industries and have not been active in board meetings.

- ***DOC and MSE have not provided sufficient inmate security within the parameters of the prison industries work area due to evident confusion over terms in their statutes and lease agreement.***

MISS. CODE ANN. Section 47-5-553 outlines the security requirements of the prison industry operations. It requires the superintendents of DOC facilities where an industry is located to certify in writing to MSE's chief executive officer whether such facility has proper security. The statute also requires MSE to furnish work area security:

*If such superintendent fails to certify the facility as having proper security, he shall certify in writing to the chief executive officer of the corporation what improvements are needed for the facility to have proper security. **The corporation shall furnish its own security within the parameters of any prison industry work area.** [Emphasis added.]*

However, this requirement for MSE's provision for security conflicts with other DOC legislative mandates and the lease agreement between DOC and MSE. MISS. CODE ANN. Section 47-5-23 vests DOC "with the exclusive responsibility for management and control of the correctional system, and all properties belonging thereto." That section also describes that the department shall be responsible "for the proper care, treatment, feeding, clothing and management of the offenders confined therein." Also, DOC's lease agreement paragraph 33 states:

*Nothing contained in this lease shall in any way diminish, alter or modify the duties and responsibilities of the Department of Corrections, and that the Department of Corrections has the sole responsibility for inmate care, custody, and security.*

Due to confusion caused from these varying requirements in the statute and the lease agreement, neither MSE nor DOC has provided sufficient inmate security within the prison industries work areas.

Currently the only security inside the prison industry work areas consists of periodic counts and walk-throughs by DOC guards. DOC guards transport inmates to the parameters of the prison industry work areas. Once inmates are inside the work areas, they are supervised by MSE non-inmate employees during the work day. DOC guards take possession of the inmates at the end of the work day, performing physical searches before releasing the inmates outside the work area.

This lack of continuous inmate security represents problems because MSE employs inmates with varying offenses and risks, from violent to non-violent offenses. Inmates working at MSE are from two of DOC's three inmate custody classifications: "A" and "B" custody inmates. (See Appendix E, page 65, for descriptions of inmate custody categories.)

"B" custody inmates require medium security. According to DOC policy these "B" custody inmates must be supervised by staff when engaging in activities outside their housing units. As discussed herein, these inmates do not receive DOC supervision while working at MSE.

DOC's allowing "B" custody inmates to work outside their housing units (as MSE) without continuous security represents an example of DOC's poor classification criteria and procedures for assigning MSE inmate workers. (See finding at page 32.)

Without sufficient inmate security the potential and risks for safety problems are extremely high. The protection of human life and assets is not assured.

### *Providing Behavioral Incentives*

- ***The prison industries program's only viable behavioral incentive is inmate wages. Inmates do not receive additional earned time under current law, which hinders incentives for inmate work.***

As described at page 7, MISS. CODE ANN. Section 47-5-533 (2) (c) establishes part of the prison industry program mission as follows:

*To serve the security goals of the state by reducing the idleness of inmates and by providing an incentive for good behavior while in prison.*

*Inmate Wages as Incentive* Inmates' only discernible incentive to work at MSE is pay. Inmates earn a modest wage to work in the prison industry program. MSE has set policy for compensating inmates. Basically, inmates can earn wages calculated by one of two methods/programs, as approved by MSE's Chief Executive Officer:

*Standard Compensation Program - hourly rates*

Hourly base rates			\$ .15 to .35
Plus:			
Longevity pay hourly supplements	15-30 months		\$.04
	31-45 months		\$.08
	over 45 months		\$.10
Plus:			
Overtime pay at one and one-half total hourly rate			

*Special Pay Programs - productivity rates*

- Piece work (varying rates based on pieces/tickets produced),
- Premium pay (awarded when inmates exceed standards), and/or
- Bonus supplement (high production work rather than piece work).

Inmates may also receive attendance bonus supplements under each of these categories (additional ten hours pay for perfect attendance.)

*Problems with Earned Time Allowance* MSE and DOC have no other consequential incentives for inmates to work other than wages. The current earned time laws do not offer inmates reduced sentences or direct recognition for time worked (such as a day reduced for a day worked). Also, DOC cannot make an inmate work at MSE, as required by the *Mississippi Prisons Industries Act of 1990*.

MISS. CODE ANN. Section 47-5-138 (as amended during the 1992 and 1993 Regular Sessions) allows eligible inmates, when entering the system, to receive one-half of the court-imposed sentences off the period of confinement automatically. This section states:

(1) *The department may promulgate rules and regulations to carry out an earned time allowance program based on the good conduct and performance of an inmate. An inmate is eligible to receive an earned time allowance of **one-half (1/2) of the period of confinement** imposed by the court except those inmates excluded by law. When an inmate is committed to the custody of the department, the department shall determine a **conditional earned time release date by subtracting the earned time allowance from an inmate's term of sentence** and shall prepare a conditional earned time release date for each inmate.*

(2) *An inmate may **forfeit** all or part of his earned time allowance **for a serious violation of rules**. No forfeiture of the earned time allowance shall be effective except upon approval of the commissioner or his designee, and forfeited earned time may not be restored.*

(3) *An inmate who meets the good conduct and performance requirements of the earned time allowance program **may be***

***released on his conditional earned time release date.***  
[Emphasis added.]

However, DOC does not classify an inmate's not working as a serious violation of rules. Most importantly, the prison industries statute, CODE Section 47-5-557, states that an inmate cannot be an involuntary servant of the corporation (inmates must volunteer to work at MSE):

*An inmate who performs work for the corporation shall not be deemed an agent, employee or involuntary servant of the corporation while performing such work or while going to and from work or other specified areas.*

Prior to the 1992 Regular Session, eligible inmates received earned time only after "earning" time off sentences at rates commensurate with classifications (i.e., a day for a day worked for "A" custody inmates.) However, during that session the department requested that the law be changed to solve problems with its manual recording of earned time related to accuracy and timeliness.

Even though the intent of the earned time law amendments was to solve DOC record problems, it has the potential to cause even larger problems than decreasing inmate work incentives. If DOC does not monitor and control the earned time system properly, paroled inmates who return to the correctional system may not lose any of the previously credited time off original sentences. Technically, inmates can receive "earned time" for time that has not been served.

## **Operations**

### *Pursuit of Industries*

- ***MSE has not complied with MISS. CODE ANN. Section 47-5-545 outlining requirements in marketing and pursuing industries, which has negatively impacted its effectiveness toward stability, fairness, and protection of operations.***

To be effective in the mission of the prison industry program, MSE must take the necessary steps and precautions to assure that industry operations (thus work for inmates) are ongoing and meet the standards established by the *Mississippi Prison Industries Act of 1990*.

MISS. CODE ANN. Section 47-5-545 establishes specific procedures for MSE to follow to assure this stability. This statute requires MSE to perform the following before establishing new prison industries:

1. commission and implement a marketing feasibility study,
2. hold a hearing (with adequate advance notice) to determine the impact such industry may have on the private sector market,
3. commence negotiations with Department of Corrections or the Secretary of State as a mediator.

MSE has not complied with any of these aspects of the law related to pursuing new industries. To compound the situation, MSE has no written marketing plan or written procedures for the pursuit of new industries.

The results from MSE not performing the mandated plans of action and not formatting marketing plans are manifold:

- MSE has not met its potential and capability to sustain long-term operations.
- MSE's pursuit of industries has not been charted. MSE obtained its current customers and industries capriciously, without focusing on long-range goals for the prison industries program.
- MSE's risks are high related to:
  - unfair competition,
  - negative effects on other Mississippi industries, and
  - violations of federal prohibitions of out-of-state movement of state-prisoner-made goods.

A specific example of MSE's failure to comply with statute is evidenced by a plant closing that occurred subsequent to this audit period. As discussed on page 38, subsequent to the January 1, 1993, cutoff of this audit period, U. S. Customs closed MSE's glove operations. On December 9, 1993, MSE was served with a subpoena from United States District Court to turn over all records related to the glove manufacturing contract with Preston Glove, discontinuing all activities. U. S. Customs maintains allegations against Preston Glove in the illegal interstate movement of inmate-produced goods and other charges related to unfair competition.

This closing of the glove operations is a direct result of MSE's failure to comply with its statutory requirement to hold hearings and determine the customers and the impact on the private sector market.

As discussed at page 20, MSE's board has not fulfilled its obligation to provide goals, objectives, and strategic plans to guide MSE's marketing aspects. The board has not offered adequate direction to assure the potential of the prison industries while decreasing risks of operations.

MSE's dependence on state funding, as discussed at page 16, has also contributed to its lack of positive plans to expand the prison industries. For example, CODE Section 47-5-547 states that Mississippi Delta Community College shall provide MSE with assistance in business planning, marketing, and analysis of existing or projected industries. However, MSE has not used the college's services.

## ***Subsequent Activities***

The scope of this performance audit as mandated by MISS. CODE ANN. Section 47-5-559 is for the period beginning January 1, 1991, through January 1, 1993. However, subsequent to the close of the audit period, events have occurred that PEER considers significant to this performance audit. This summary provides details on significant subsequent activity and is not intended to describe all activities occurring subsequent to January 1, 1993.

### **Financial Activity**

Subsequent to the January 1, 1993, audit period, MSE management and the corporation's independent certified public accountants have reported positive financial results representing an upward trend and growth in sales revenues. For the six-month period ending December 31, 1993, MSE produced unaudited net income (profits) of \$181,440 (before supplemental funding from Inmate Welfare Funds).

Appendix F, page 66, presents MSE's compilation and analysis of revenue and expenses for the fiscal years ending June 30, 1990 (under DOC) through June 30, 1993, and the six-month period ending December 31, 1993. The increased revenues are primarily due to increased production and sales in the garment and printing operations.

Appendix G, page 67, presents MSE's compilation and analysis of revenue and expenses for the same period with farm operations (agri-business) deleted.

### **Glove Operations**

On December 9, 1993, the U. S. Customs closed MSE's glove operations. MSE's glove manufacturing was under a joint venture contract with Preston Glove, wherein Preston provided all the materials, equipment, and transportation (see page 37.) U. S. Customs maintains allegations against Preston Glove (not MSE) in the illegal interstate movement of inmate-produced goods and other charges related to unfair competition.

During the audit period, the glove operations represented 8 percent of gross sales revenues, see Appendix B, page 52. The operations represented 17 percent of operations during the last six months ended December 31, 1993.

## ***Recommendations***

As mandated by MISS. CODE ANN. Section 47-5-577, the *Mississippi Prison Industries Act of 1990* stands repealed from and after July 1, 1994. Regardless of the Legislature's decision concerning the repealer or the future governing structure of a prison industries program, substantial improvements should be made for the prison industries program to be successful. The following recommendations address weaknesses in the oversight, direction, and management of the current prison industries program.

References to Magnolia State Enterprises (MSE) in these recommendations represent that organization or any other entity that the Legislature delegates to assume the responsibilities of the prison industries program. The recommendations assume that the legislative intent and mission of the industries will be unchanged.

### **Direction and Guidance**

#### ***Commissioner and Facility Superintendents***

1. DOC should cooperate and provide the necessary support and guidance in order for MSE and the prison industries program to fulfill legislative intent. MSE's board and management cannot act alone in making the prison industries program effective. Unless DOC provides goals, plans, and policies, the prison industries program will not realize its mission: to rehabilitate inmates toward a more productive life outside of the correctional system through post-release job placement.

The Commissioner of Corrections, as a voting member of the MSE board, should initiate the required positive actions. Also, the superintendents of the three main prison facilities (State Penitentiary, Central Mississippi Correctional Facility, and South Mississippi Correctional Institute) should attend all MSE board meetings and become actively concerned about the outcomes of the prison industries program.

#### ***Board Goals and Objectives***

2. The MSE board of directors should take immediate steps to review the legal mission of the prison industries program and initiate written goals and measurable objectives to guide MSE management in administering the program and operating MSE. These actions are necessary in order for MSE to reach its fullest potential regarding efficient aspects of operations and effectiveness toward the mission of the prison industries program. For example, without strong direction

toward measurable goals in the area of marketing and pursuit of industries, MSE management can only grasp at industry prospects.

The MSE board should not depend on MSE management to outline or write MSE's goals and objectives; the document should represent the board's carefully thought-out goals and objectives for the corporation. The goals should describe the levels and depth of what is to be done to meet MSE's legal mission. The board should evaluate these written goals and objectives at least annually to assess their continuing validity and suitability and amend as appropriate.

The State Commissioner of Corrections, as a voting MSE board member, should be directly involved in establishing these goals, assuring the department's coordination, and cooperating toward accomplishment of the prison industries program's mission.

## Planning

### *Master Plan for Correctional Work Programs*

3. DOC should take immediate steps to establish a master plan to guide the prison industries program (and other correctional work programs). This should be a working document that DOC reviews and updates annually.

As directed by MISS. CODE ANN. Section 47-5-573, the plan should provide a logical sequence of:

- vocational training,
- employment by correctional work programs, and
- post-release job placement.

In order for this plan to work, DOC must outline and define the concept of a rehabilitated inmate, as required by that same statute.

DOC should design the master plan to be proactive and should define specific goals at each level within the plan (training, working, post-release employment), and design strategic steps, activities, and tasks to assist DOC employees (and MSE) to meet the goals.

DOC's master plan should require that the Division of Offender Services carefully evaluate inmates entering the correctional system. DOC should expand its inmate classification criteria to include aspects of training and work programs. Offender Services should track, within a computerized and efficient system, inmates' individual training and work accomplishments. DOC should monitor inmates' training and evaluate inmates' rehabilitation status (under its legal concept of a rehabilitated inmate.)

## *Strategic Plans*

4. After the MSE board formalizes and documents its goals and objectives for MSE, the board should develop short-term (annual) and long-term (projecting at least three years) strategic plans to detail the specific actions required of management and employees. The MSE board should base the plans on the board's written goals and objectives.

As mandated by CODE Section 47-5-547, "Mississippi Delta Community College shall provide assistance in business planning, marketing and analysis of existing or projected industries," the board should utilize Mississippi Delta Community College's services in outlining these plans. As the college's President is an MSE board member/director, he/she should take the initiative toward assuring compliance with this legislative assignment.

For every MSE objective, the MSE board should outline specific detailed activities, tasks, and standards needed to accomplish the objective. The plan should designate the responsible employee (or position), activity phases or levels, performance time tables, and completion dates for accomplishment.

The MSE board and management should estimate the costs at the level of standards planned. As necessary, the board should prioritize activities and tasks to assist management toward efficient allocation of resources.

The tasks and standards in the strategic plans will depend on the board's goals, but they should also be identified by the organizational level and functions. Some examples of typical business standards include ratios, unit or dollar targets in such areas as production, sales, finance, budgets, accounting, personnel related matters.

Most importantly, the MSE board should set standards to measure MSE's accomplishment of the legislative intent and mission of the organization, such as: state agencies served, direct and indirect government cost savings, inmates worked, levels and progress of inmates' training, inmate retention rates.

## **Program and Operational Outcomes**

### *Program Outcomes*

#### *Inmate Use Rules and Classification Criteria*

5. DOC should create and amend its policies and procedures to provide for specific classification criteria and use rules for inmates working at MSE, as authorized by MISS. CODE ANN. Section 47-5-563. DOC should strengthen and document classification processes to provide timely and efficient delivery of inmates to MSE.

MSE should either create inmate use rules jointly with DOC or with DOC's input and approval as required by the CODE section. These use rules should be very specific and detailed, and should not make broad statements or referrals, such as "to be decided by the chief executive officer."

MSE and DOC should assure that the rules are coordinated with and follow the department's overall master plan. MSE should assure that the rules are periodically updated to remain current and cover every aspect of hiring, working, training, dismissing, and securing inmates, to include, but not limited to:

- inmate classification criteria and requirements for working,
- inmate awareness of the program,
- inmate needs and turnaround times,
- security, within the parameters and in transit,
- on-time rules,
- specific inmate wage information by division,
- performance rules and requirements,
- training patterns and levels,
- short-term and long-term periods of inmate work,
- effects of the program (job placement, earned time).

As required by CODE Section 47-5-563, both the Department of Corrections and Magnolia State Enterprises should adopt these inmate use rules, policies, and procedures and should place them on file in the office of the Secretary of State. MSE should also file rule amendments and updates with the Secretary of State.

#### Earned Time Allowance Laws

6. The Legislature should amend MISS. CODE ANN. Section 47-5-138 to reinstate pre-1992 law whereby inmates earn time concurrently with and as a result of positive conduct and performance. The amendment should eliminate the current earned time allowance wherein eligible inmates' sentences are automatically decreased by one-half of the periods of confinement imposed by the courts.

Amending this law to require inmates' positive action before time off is "earned" would place back into the statute incentives for inmates to perform, particularly in the area of prison industries work programs. This amendment would also relieve potential problems under the current law wherein paroled inmates returning to the correctional system could have reduced sentences without serving time.

According to DOC personnel, effective July 1, 1994, the Division of Offender Services will initiate an on-line computer system to accumulate and track offender information to include earned time credits.

### Inmate Training

7. The MSE board should carefully evaluate its authorization to establish classroom training or auxiliary programs with the assistance of Mississippi Delta Community College and other community colleges as guided by DOC's master plan for training, working and employing (rehabilitating) inmates. Expanding inmates' participation at MSE beyond on-the-job training should have positive effects on accomplishing the legislative intent of the prison industries program.

### Inmate Security

8. As discussed at page 33, MISS. CODE ANN. Section 47-5-553 requires MSE to "furnish its own security within the parameters of any prison industry work area." However, this statutory requirement conflicts with the overall legal requirement of the department's management of offenders, as mandated in CODE Section 47-5-23.

Since the legislative intent of CODE Section 47-5-553 is for MSE to provide funding for inmate security within the work area parameters, the Legislature should amend the statute to reflect that:

- the department shall provide security within the work area;
- MSE shall reimburse DOC for the costs of such security; and,
- such obligations will be reflected within the executed lease agreement between the department and the corporation.

See proposed legislation in Appendix H, page 68.

9. Regardless of whether the Legislature amends CODE Section 47-5-553 as noted in recommendation 8, DOC should evaluate and certify MSE's security, noting deficiencies and improvements needed. This action is currently mandated by CODE Section 47-5-553. DOC should pay particular attention to areas where MSE is working custody "B" inmates. At least every six months, DOC should reevaluate the level of security needed by the prison industries program.
10. MSE should carefully assess its risks and obligations to provide inmate security within the prison industries work area as required by CODE Section 47-5-553. MSE should immediately negotiate with DOC superintendents (or designees) at the correctional facility locations for DOC's provision of sufficient work area security and MSE's reimbursement of DOC's costs until the issue is permanently resolved.

### Post-Release Job Placement

11. DOC should comply with MISS. CODE ANN. Section 47-5-559, which requires that the department track information related to inmates' post-release job placement and statistics on the returns to the correctional system of those participating inmates. In order to accumulate this information, DOC should take immediate steps to assure the quick and efficient start-up of the projected Division of Offender Services' inmate-tracking computerized system to be available July 1, 1994. DOC should implement a proactive system of evaluating inmates' needs and begin tracking information when inmates enter the correctional system.

As is further required by CODE Section 47-5-559, DOC should report this information annually to the Governor and the Legislature.

### *Operational Outcomes*

#### Marketing

12. MSE's board should include marketing as a part of its goals, objectives and strategic planning. MSE should carefully define its objectives and market direction for future sales. These marketing objectives should be measurable and the MSE board should monitor progress toward these objectives. MSE should write a marketing plan that assures compliance with state and federal legal requirements and also considers the profitability motive of business operations.

The marketing plan should require marketing feasibility studies for proposed industries. Marketing feasibility studies should include narrative and numerical/statistical evaluation of:

- current comparative suppliers/businesses in Mississippi,
- potential Mississippi market for the activity,
- assurance of sales and shipments within Mississippi (unless complying with 18 U.S.C. § 1761, see page 19),
- potential savings to state government,
- costs (capital and recurring) versus benefits of such operations,
- potential to work inmates, and
- effect on security responsibilities.

As required by law, MSE should hold at least one public hearing when pursuing or considering a new industry to determine the impact that any new industry would have on the private sector market. MSE must hold its business negotiations with any prospective industry with DOC or the Secretary of State serving as mediator.

### Profitability

13. The MSE Chief Executive Officer should direct MSE's administrative efforts toward operating as a profit-making enterprise in order to accomplish legislative intent and to eliminate state funding of prison industries. MSE should strive to provide revenues sufficient to sustain operations (break-even), plus additional funds for directed capital expansion and growth.

MSE's CEO should develop product pricing methods to recover all the expenses (direct and indirect) of operating the industries. To accomplish this, MSE must implement a cost accounting system that allows for the perpetual allocation of all costs to the specific operating divisions. MSE should continue to assign and charge direct costs to the applicable divisions.

MSE's CEO should also establish a method of overhead allocation to allot indirect costs to production (operating divisions). For example, MSE could set a rate (i.e., dollars per direct labor hour) or percentage (percent of direct labor cost) to be used in allocating indirect costs. These predetermined rates would be generated by dividing budgeted indirect costs by budgeted volume (labor hours or cost). MSE could use these rates to apply overhead to a job or process cost accounting method. When actual indirect costs are over/under this applied overhead, the difference would be adjusted to inventories or costs of goods sold (expenses) based on consistent ratios of applied overhead.

### Budgeting and Control of Costs

14. MSE's CEO should strengthen and standardize MSE's methods of budgeting and controlling administrative and divisional manufacturing costs. MSE's board should develop policies and procedures to assist MSE's CEO in monitoring of these budgets. These written policies should guide MSE to include at least the following aspects of budgeting.

- *sales budgets* to guide production by operating division, based on contracts and obligations resulting from a strong marketing program and strengthened pricing methods
- *production budgets* for each operating division, stated in units, and which should be used to prepare:
  - the operating divisions' *raw materials, direct labor, and direct factory costs budgets*. MSE should subdivide direct factory costs into fixed and variable costs to provide more distinction in future monitoring.
  - an *indirect costs* budget, again subdividing costs into fixed and variable. MSE should then apply a budgeted portion of indirect costs (overhead) to the operating divisions' budgets.

- *capital budgets* to guide long-term decisions related to expenditures for fixed assets. When evaluating capital expenditures, MSE should carefully consider costs of capital (interest), opportunity costs, cash flow needs, economic and depreciable lives and the affect on the operating budgets.

Strong monitoring of budgets and proper allocation of costs will assist MSE toward its profitability goal. MSE's board should establish specific timetables and procedures for the chief executive officer's, production managers', and accountant's review and adjustments to budgets.

### Public Purchasing Laws

15. The Legislature should clarify the definition of "commodities purchased for resale" in MISS. CODE ANN. Section 31-7-1(e) to remove uncertainties and to relieve state entities that practice manufacturing or other forms of commodities' conversion. "Commodities purchased for resale" should include *all* commodities purchased for resale whether labor is directly applied or the commodities are converted before resale.

See Appendix H, page 68, for proposed legislation.

### Reducing Costs of State Government

16. MSE's board should research and study options available to reduce the costs of state government. For example, if MSE produces positive net earnings, it should consider establishing a policy of returning a portion of those revenues to the state (within the confines of its federal tax-exempt status or other legal restrictions).

Also, as described on page 19, MSE and the state may further benefit by MSE's election to participate in the federal program defined in 18 U.S.C. § 1761. Prison work projects are permitted through the U. S. Director, Bureau of Justice Assistance, to ship prison-made goods across state lines (interstate commerce) if inmates are paid comparable area wages. Inmate wages from this program may be redistributed, and part of those wages could be used to refund the state for reasonable charges of maintaining inmates.

### **Measuring Performance**

17. The MSE board should be actively involved in oversight and governance of MSE and should hold MSE's CEO and managers accountable through a written and verbal reporting system. MSE should provide every necessary means to measure outcomes as set by its strategic plans. As a legal entity established by the laws of the State of

Mississippi, MSE has an obligation to measure its accomplishments of outputs intended under the law. Example outputs include:

- number of inmates worked
- type of individual training inmates received
- number and type of state agencies served
- amount of government cost savings resulting from sales to state agencies or other activities
- level of production achieved; amounts produced per comparable unit (period, division)
- inventory turnover or days-in-inventory ratios
- amount collected from sales
- accounts receivable turnover/rate of collection
- amount of earnings on idle cash
- indirect (overhead) costs as compared to total or direct costs sales revenues

MSE's board should compare these outputs with the inputs of operations (resources/funding, dollars spent/costs) to determine the efficiency of administration and operations. The board standards should include measurable objectives to compare these efficiency ratios, such as: revenues, expenses, or net earnings per: inmates served, units or products produced, area of training, state agency contract.

MSE's board should compare output with its standards to determine how well management and employees meet those standards. If the standards as set by the board are appropriate, the comparison of the outputs to standards will assist the board (and DOC) in measuring the outcome and effectiveness of the prison industries program.

The outcomes of the prison industries program are strongly guided by statutory mission and apply to both MSE and DOC. The Department of Corrections should be deeply involved in establishment of measurable outcomes of the program, such as rehabilitation of inmates and post-release job placement.

## Appendix A History of Mississippi's Prison Industries

**Pre-1972:** Virtually all inmates of the State Penitentiary at Parchman worked in small self-contained, self-sustaining units called "camps." Selected inmates supervised the penitentiary's work system and provided security over other inmates. Work activities of the camps included labor-intensive row crop farming (primarily of cotton, grains, and vegetables), an institutional dairy and beef herd, and swine and poultry operations. Also, the state penitentiary housed a labor-intensive commodities and service network which included garment manufacture, vegetable canning, shoe repair, printing, and bookbinding.

**1972:** A landmark federal court decision (*Gates v. Collier*) held that inmates could not supervise and provide security over other inmates. The effect of this decision was to change the State Penitentiary from a working institution to primarily a facility to house inmates, because of the cost involved in replacing the inmate ("trusty") guards with paid security staff.

Despite the sweeping changes brought on by the Gates decision, the State Penitentiary did not close all of its inmate labor operations. Bookbinding and selected farming operations, for example, continued.

**1978:** The Mississippi Legislature passed the *Prison-Made Goods Act* to "provide more adequate, regular, and suitable employment for the vocational training and rehabilitation" of state inmates; to utilize inmate labor for self-maintenance and to reimburse the state for costs of incarceration; and to set up a system whereby state agencies would directly purchase prison-made goods without the possibility of private sector profits therefrom.

The act authorized inmate training and rehabilitation to take place in penal units under the Department of Corrections (DOC) and required state agencies to buy the products of this prison labor. (A 1981 amendment deleted the requirement that state government entities purchase prison-made commodities.)

To finance the prison-made goods program, the Legislature passed a separate act which established the *Penitentiary Agricultural Land Lease Program* (MISS. CODE ANN. Section 47-5-66). This act channeled money derived from leasing penitentiary-owned agricultural lands and from timber sales into a special fund in the State Treasury to be known as the "Prison Industries Fund." The *Prison-Made Goods Act* directed that monies collected from the sale of products produced with penitentiary labor would also be placed into the Prison Industries Fund.

DOC's first major effort under the *Prison-Made Goods Act* was a janitorial supply operation. In 1979, the department hired administrative staff to oversee the janitorial supply shop. Shortly thereafter, the department began referring to its prison industries operations as Mississippi Correctional Industries, or MCI.

MCI's primary objectives were to search for avenues to provide gainful work to more incarcerated inmates and to reduce incarceration costs. During this time, MCI opened and closed numerous prison industries. For example, it maintained a farm operation which utilized inmates in the production of orchards and row crops and on-site management of lease lands in conjunction with the Governor's Office of Real Property Management.

In 1980, MCI established a metal fabrication shop to repair equipment for the janitorial supply operation. In 1981, the metal shop began making barbecue grills which it sold to the state and to the general public. Other products manufactured by the metal fabrication unit included deer stands, fireplace screens, grates, tools and inmate beds. MCI claimed that the inmate bed venture saved the state approximately \$100 per bed (compared to the cost of purchasing new beds). The metal fabrication unit was also responsible for maintaining MCI equipment such as farm and garden equipment and vehicles.

In 1982, MCI introduced an operation to supply firewood to heat inmate housing units. This evolved into the manufacture of bundled wood and hickory chips.

Other MCI programs undertaken during the 1980s included the manufacture of low-boy trailers, the repair of waste disposal containers and county fire trucks, and maintenance and construction of the MCI compound.

**1983:** The Legislature established the *Correctional Industries Work Program Act*. The act directed the Mississippi Department of Corrections to work with private industry, the Department of Economic Development, the Mississippi Research and Development Center, and Mississippi State University's Cooperative Extension Service to identify and locate viable industries and businesses on property utilized by the state prison correctional system and utilize offenders in the custody of the Department of Corrections as the labor force necessary to conduct their operations. As with the previous prison-made goods act, the intent of this act was to provide vocational education and training to inmates and simultaneously reimburse the state for the expenses of their incarceration. The act made any industry or business involved in the program responsible for providing participating offenders with the vocational education or training necessary for employment.

In addition, the act directed DOC to establish and develop a prison industry at Parchman for the growing, harvesting and processing of vegetables, primarily for consumption by institutionalized offenders.

MCI continued to manage the prison industries following passage of the *Correctional Industries Work Program Act*. MCI established the legislatively mandated vegetable garden. Between 1987 and 1989, MCI started an inmate garment manufacturing operation, and in 1988 MCI assumed responsibility for the department's print shop, which existed to primarily serve in-house printing needs. In 1987, DOC eliminated the janitorial supply operation's budget and by 1990 had suspended MCI's firewood operation.

**1990:** The Mississippi Legislature passed the *Mississippi Prison Industries Act of 1990*. This legislation called for the organization and formation of a nonprofit corporation to lease and manage DOC's prison industry programs (MCI). The act transferred control and management of the existing MCI program assets and funding to this nonprofit corporation.

In May of 1990, Mississippi Prison Industries Act, Inc. (MPIA), doing business as Magnolia State Enterprises, filed its articles of incorporation as a nonprofit corporation with the Secretary of State. Magnolia State Enterprises, Inc., assumed responsibility for the management of the state's prison industries program in February of 1991. Magnolia State's Board of Directors hired a Chief Executive Officer in April of 1991.

**Appendix B**  
**Magnolia State Enterprises - All Divisions**  
**Revenue and Expenses**  
**February 1, 1991 through December 31, 1992**

	<u>Equine Tack</u>		<u>Farm</u>		<u>Garment</u>		<u>Gloves (Parchman)</u>	
<b>Sales</b>	<u>\$8,745</u>	<u>100.00%</u>	<u>\$199,487</u>	<u>100.00%</u>	<u>\$645,914</u>	<u>100.00%</u>	<u>\$93,674</u>	<u>100.00%</u>
<b>Direct costs</b>								
Inmate Labor	3,551	40.61%	30,871	15.48%	43,957	6.81%	28,858	30.81%
Non-inmate labor	4,626	52.90%	157,400	78.90%	84,625	13.10%	23,871	25.48%
Travel	0	0.00%	305	0.15%	136	0.02%	423	0.45%
Contractual services	126	1.44%	49,677	24.90%	17,866	2.77%	2,501	2.67%
Materials	0	0.00%	39,155	19.63%	397,635	61.56%	3	0.00%
Supplies	736	8.42%	56,999	28.57%	12,350	1.91%	1,121	1.20%
Depreciation	0	0.00%	332	0.17%	3,846	0.60%	0	0.00%
<b>Subtotal direct costs</b>	<u>9,039</u>	<u>103.36%</u>	<u>334,739</u>	<u>167.80%</u>	<u>560,415</u>	<u>86.76%</u>	<u>56,777</u>	<u>60.61%</u>
<b>Gross Profit</b>	<u>(294)</u>	<u>(3.36)%</u>	<u>(135,252)</u>	<u>(67.80)%</u>	<u>85,499</u>	<u>13.24%</u>	<u>36,897</u>	<u>39.39%</u>
<b>Indirect costs</b>								
Inmate labor	156	1.79%	1,648	0.83%	6,994	1.08%	1,426	1.52%
Non-inmate labor	1,812	20.73%	43,801	21.96%	140,349	21.73%	19,657	20.98%
Travel	187	2.14%	4,522	2.27%	15,272	2.36%	1,932	2.06%
Contractual services	1,389	15.88%	37,237	18.67%	117,072	18.12%	15,446	16.49%
Supplies	161	1.84%	13,145	6.59%	37,640	5.83%	2,562	2.74%
Depreciation	143	1.64%	253	0.13%	3,702	0.57%	1,107	1.18%
<b>Subtotal indirect costs</b>	<u>3,849</u>	<u>44.01%</u>	<u>100,607</u>	<u>50.43%</u>	<u>321,029</u>	<u>49.70%</u>	<u>42,130</u>	<u>44.98%</u>
<b>Income (loss) before other revenue (expenses)</b>	<u>(4,143)</u>	<u>(47.37)%</u>	<u>(235,859)</u>	<u>(118.23)%</u>	<u>(235,530)</u>	<u>(36.46)%</u>	<u>(5,233)</u>	<u>(5.59)%</u>
Farm appropriation	0	0.00%	476,868	239.05%	0	0.00%	0	0.00%
Inmate Welfare Funds	2,106	24.08%	77,710	38.95%	230,405	35.67%	25,892	27.64%
Interest Income	207	2.37%	4,998	2.51%	16,294	2.52%	2,212	2.36%
Other	163	1.86%	20,978	10.52%	(10,098)	(1.56)%	1,261	1.35%
	<u>2,476</u>	<u>28.31%</u>	<u>580,553</u>	<u>291.02%</u>	<u>236,600</u>	<u>36.63%</u>	<u>29,365</u>	<u>31.35%</u>
<b>Net Income (loss)</b>	<u>(\$1,667)</u>	<u>(19.06)%</u>	<u>\$344,694</u>	<u>172.79%</u>	<u>\$1,070</u>	<u>0.17%</u>	<u>\$24,132</u>	<u>25.76%</u>

Note: Percentages represent ratio to sales revenues @ 100%.  
Highway Projects percentage of sales not calculated because sales = \$0.

SOURCE: PEER compilation and analysis of Magnolia State Enterprises'  
audited and compiled financial statements.

Gloves (SMCI)		Highway Projects		Janitorial Supplies		Photo Finishing		Printing & Bookbinding		All Divisions	
\$31,981	100.00%	\$0	100.00%	\$18,650	100.00%	\$24,597	100.00%	\$610,600	100.00%	\$1,633,648	100.00%
9,903	30.97%	142		6,975	37.40%	5,371	21.84%	29,980	4.91%	159,608	9.77%
16,126	50.42%	6,700		18,555	99.49%	0	0.00%	166,243	27.23%	478,146	29.27%
1,072	3.35%	208		84	0.45%	0	0.00%	1,201	0.20%	3,429	0.21%
1,649	5.16%	1,316		4,290	23.00%	6,589	26.79%	57,629	9.44%	141,643	8.67%
16	0.05%	0		13,961	74.86%	6	0.02%	210,700	34.51%	661,476	40.49%
2,618	8.19%	1,449		8,504	45.60%	873	3.55%	18,882	3.09%	103,532	6.34%
947	2.96%	0		184	0.99%	0	0.00%	2,924	0.48%	8,233	0.50%
32,331	101.09%	9,815		52,553	281.79%	12,839	52.20%	487,559	79.85%	1,556,067	95.25%
(350)	(1.09)%	(9,815)		(33,903)	(181.79)%	11,758	47.80%	123,041	20.15%	77,581	4.75%
558	1.75%	0		177	0.95%	306	1.24%	6,286	1.03%	17,552	1.07%
6,642	20.77%	0		4,017	21.54%	5,228	21.25%	134,351	22.00%	355,857	21.78%
679	2.12%	0		355	1.90%	488	1.99%	16,151	2.65%	39,587	2.42%
5,111	15.98%	0		3,317	17.79%	4,212	17.12%	114,128	18.69%	297,914	18.24%
634	1.98%	0		870	4.66%	904	3.68%	43,544	7.13%	99,460	6.09%
500	1.56%	0		38	0.20%	173	0.70%	3,544	0.58%	9,461	0.58%
14,124	44.17%	0		8,774	47.05%	11,312	45.99%	318,004	52.08%	819,831	50.18%
(14,474)	(45.26)%	(9,815)		(42,677)	(228.83)%	446	1.81%	(194,963)	(31.93)%	(742,250)	(45.44)%
0	0.00%	0		0	0.00%	0	0.00%	0	0.00%	476,868	29.19%
7,886	24.66%	0		6,581	35.29%	7,716	31.37%	231,384	37.89%	589,681	36.10%
757	2.37%	0		438	2.35%	578	2.35%	16,129	2.64%	41,613	2.55%
569	1.78%	0		45	0.24%	199	0.81%	7,663	1.25%	20,779	1.27%
9,212	28.80%	0		7,064	37.88%	8,493	34.53%	255,176	41.79%	1,128,941	69.11%
(\$5,263)	(16.46)%	(\$9,815)		(\$35,613)	(190.96)%	\$8,940	36.34%	\$60,213	9.86%	\$386,691	23.67%

**Appendix C**  
**Magnolia State Enterprises - Equine Tack**  
**Revenue and Expenses**  
**February 1, 1991 through December 31, 1992**

	<b>Six Months Ended December 31, 1992</b>		<b>Fiscal Year Ended June 30, 1992</b>		<b>Five Months Ended June 30, 1991</b>		<b>Total Activity February 1, 1991- December 31, 1992</b>	
<b>Sales</b>	\$8,745	100.00%	\$0	100.00%	\$0	100.00%	\$8,745	100.00%
<b>Direct costs</b>								
Inmate Labor	3,551	40.61%	0		0		3,551	40.61%
Non-inmate labor	4,626	52.90%	0		0		4,626	52.90%
Travel	0	0.00%	0		0		0	0.00%
Contractual services	126	1.44%	0		0		126	1.44%
Materials	0	0.00%	0		0		0	0.00%
Supplies	736	8.42%	0		0		736	8.42%
Depreciation	0	0.00%	0		0		0	0.00%
<b>Subtotal direct costs</b>	<b>9,039</b>	<b>103.36%</b>	<b>0</b>		<b>0</b>		<b>9,039</b>	<b>103.36%</b>
<b>Gross Profit</b>	<b>(294)</b>	<b>(3.36)%</b>	<b>0</b>		<b>0</b>		<b>(294)</b>	<b>(3.36)%</b>
<b>Indirect costs</b>								
Inmate labor	156	1.79%	0		0		156	1.79%
Non-inmate labor	1,812	20.73%	0		0		1,812	20.73%
Travel	187	2.14%	0		0		187	2.14%
Contractual services	1,389	15.88%	0		0		1,389	15.88%
Supplies	161	1.84%	0		0		161	1.84%
Depreciation	143	1.64%	0		0		143	1.64%
<b>Subtotal indirect costs</b>	<b>3,849</b>	<b>44.01%</b>	<b>0</b>		<b>0</b>		<b>3,849</b>	<b>44.01%</b>
<b>Income (loss) before other revenue (expenses)</b>	<b>(4,143)</b>	<b>(47.37)%</b>	<b>0</b>		<b>0</b>		<b>(4,143)</b>	<b>(47.37)%</b>
Farm appropriation	0	0.00%	0		0		0	0.00%
Inmate Welfare Funds	2,106	24.08%	0		0		2,106	24.08%
Interest Income	207	2.37%	0		0		207	2.37%
Other	163	1.86%	0		0		163	1.86%
	<b>2,476</b>	<b>28.31%</b>	<b>0</b>		<b>0</b>		<b>2,476</b>	<b>28.31%</b>
<b>Net Income (Loss)</b>	<b>(\$1,667)</b>	<b>(19.06)%</b>	<b>\$0</b>		<b>\$0</b>		<b>(\$1,667)</b>	<b>(19.06)%</b>

**Note: Appendix C consists of nine pages presenting each operating division's revenue and expenses for the audit period. Divisional totals agree to totals per Appendix B.**

**SOURCE: PEER compilation and analysis of Magnolia State Enterprises' audited and compiled accrual basis financial statements.**

**Appendix C (Continued)**  
**Magnolia State Enterprises - Farm**  
**Revenue and Expenses**  
**February 1, 1991 through December 31, 1992\***

	<u>Six Months Ended December 31, 1992*</u>		<u>Fiscal Year Ended June 30, 1992</u>		<u>Five Months Ended June 30, 1991</u>		<u>Total Activity February 1, 1991- December 31, 1992</u>	
	\$0	100.00%	\$182,531	100.00%	\$16,956	100.00%	\$199,487	100.00%
<b>Sales</b>								
<b>Direct costs</b>								
Inmate Labor	31		30,840	16.90%	0	0.00%	30,871	15.48%
Non-inmate labor	0		107,277	58.77%	50,123	295.61%	157,400	78.90%
Travel	0		305	0.17%	0	0.00%	305	0.15%
Contractual services	3,858		38,507	21.10%	7,312	43.12%	49,677	24.90%
Materials	1,878		34,051	18.65%	3,226	19.03%	39,155	19.63%
Supplies	5,377		33,993	18.62%	17,629	103.97%	56,999	28.57%
Depreciation	0		332	0.18%	0	0.00%	332	0.17%
<b>Subtotal direct costs</b>	<u>11,144</u>		<u>245,305</u>	<u>134.39%</u>	<u>78,290</u>	<u>461.72%</u>	<u>334,739</u>	<u>167.80%</u>
<b>Gross Profit</b>	<u>(11,144)</u>		<u>(62,774)</u>	<u>(34.39)%</u>	<u>(61,334)</u>	<u>(361.72)%</u>	<u>(135,252)</u>	<u>(67.80)%</u>
<b>Indirect costs</b>								
Inmate labor	0		1,648	0.90%	0	0.00%	1,648	0.83%
Non-inmate labor	0		39,397	21.58%	4,404	25.98%	43,801	21.96%
Travel	0		3,453	1.89%	1,069	6.31%	4,522	2.27%
Contractual services	0		32,662	17.89%	4,575	26.98%	37,237	18.67%
Supplies	0		8,800	4.82%	4,345	25.63%	13,145	6.59%
Depreciation	0		230	0.13%	23	0.14%	253	0.13%
<b>Subtotal indirect costs</b>	<u>0</u>		<u>86,190</u>	<u>47.22%</u>	<u>14,417</u>	<u>85.03%</u>	<u>100,607</u>	<u>50.43%</u>
<b>Income (loss) before other revenue (expenses)</b>	<u>(11,144)</u>		<u>(148,964)</u>	<u>(81.61)%</u>	<u>(75,751)</u>	<u>(446.75)%</u>	<u>(235,859)</u>	<u>(118.23)%</u>
Farm appropriation	(13,484)		317,517	173.95%	172,835	1019.31%	476,868	239.05%
Inmate Welfare Funds	0		65,528	35.90%	12,182	71.84%	77,710	38.95%
Interest Income	0		4,282	2.35%	716	4.22%	4,998	2.51%
Other	0		274	0.15%	20,704	122.10%	20,978	10.52%
	<u>(13,484)</u>		<u>387,601</u>	<u>212.35%</u>	<u>206,436</u>	<u>1217.48%</u>	<u>580,553</u>	<u>291.02%</u>
<b>Net Income (Loss)</b>	<u>(\$24,628)</u>		<u>\$238,637</u>	<u>130.74%</u>	<u>\$130,685</u>	<u>770.73%</u>	<u>\$344,694</u>	<u>172.79%</u>

Notes: \*\*Farm operations transferred to DOC July 1, 1992; only close-out expenses in six month period ending December 31, 1992.  
December 31, 1992 percentage of sales not calculated because sales = \$0.

**Appendix C (Continued)**  
**Magnolia State Enterprises - Garment**  
**Revenue and Expenses**  
**February 1, 1991 through December 31, 1992**

	<b>Six Months Ended December 31, 1992</b>		<b>Fiscal Year Ended June 30, 1992</b>		<b>Five Months Ended June 30, 1991</b>		<b>Total Activity February 1, 1991- December 31, 1992</b>	
<b>Sales</b>	\$190,766	100.00%	\$396,534	100.00%	\$58,614	100.00%	\$645,914	100.00%
<b>Direct costs</b>								
Inmate Labor	16,833	8.82%	27,124	6.84%	0	0.00%	43,957	6.81%
Non-inmate labor	12,798	6.71%	52,238	13.17%	19,589	33.42%	84,625	13.10%
Travel	0	0.00%	86	0.02%	50	0.09%	136	0.02%
Contractual services	5,439	2.85%	10,316	2.60%	2,111	3.60%	17,866	2.77%
Materials	110,129	57.73%	242,325	61.11%	45,181	77.08%	397,635	61.56%
Supplies	2,659	1.39%	1,703	1.94%	1,988	3.39%	12,350	1.91%
Depreciation	0	0.00%	3,798	0.96%	48	0.08%	3,846	0.60%
<b>Subtotal direct costs</b>	<b>147,858</b>	<b>77.51%</b>	<b>343,590</b>	<b>86.65%</b>	<b>68,967</b>	<b>117.66%</b>	<b>560,415</b>	<b>86.76%</b>
<b>Gross Profit</b>	<b>42,908</b>	<b>22.49%</b>	<b>52,944</b>	<b>13.35%</b>	<b>(10,353)</b>	<b>(17.66)%</b>	<b>85,499</b>	<b>13.24%</b>
<b>Indirect costs</b>								
Inmate labor	3,413	1.79%	3,581	0.90%	0	0.00%	6,994	1.08%
Non-inmate labor	39,538	20.73%	85,586	21.58%	15,225	25.98%	140,349	21.73%
Travel	4,075	2.14%	7,501	1.89%	3,697	6.31%	15,272	2.36%
Contractual services	30,301	15.88%	70,956	17.89%	15,815	26.98%	117,072	18.12%
Supplies	3,503	1.84%	19,117	4.82%	15,020	25.63%	37,640	5.83%
Depreciation	3,122	1.64%	500	0.13%	80	0.14%	3,702	0.57%
<b>Subtotal indirect costs</b>	<b>83,951</b>	<b>44.01%</b>	<b>187,241</b>	<b>47.22%</b>	<b>49,837</b>	<b>85.03%</b>	<b>321,029</b>	<b>49.70%</b>
<b>Income (loss) before other revenue (expenses)</b>	<b>(41,043)</b>	<b>(21.52)%</b>	<b>(134,297)</b>	<b>(33.87)%</b>	<b>(60,190)</b>	<b>(102.69)%</b>	<b>(235,530)</b>	<b>(36.46)%</b>
Farm appropriation	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Inmate Welfare Funds	45,939	24.08%	142,355	35.90%	42,111	71.84%	230,405	35.67%
Interest Income	4,517	2.37%	9,302	2.35%	2,475	4.22%	16,294	2.52%
Other	3,554	1.86%	(15,991)	(4.03)%	2,339	3.99%	(10,098)	(1.56)%
	<b>54,010</b>	<b>28.31%</b>	<b>135,666</b>	<b>34.21%</b>	<b>46,924</b>	<b>80.06%</b>	<b>236,600</b>	<b>36.63%</b>
<b>Net Income (Loss)</b>	<b>\$12,966</b>	<b>6.80%</b>	<b>\$1,369</b>	<b>0.35%</b>	<b>(\$13,266)</b>	<b>(22.63)%</b>	<b>\$1,070</b>	<b>0.17%</b>

**Appendix C (Continued)**  
**Magnolia State Enterprises - Gloves (Parchman)**  
**Revenue and Expenses**  
**February 1, 1991 through December 31, 1992**

	<b>Six Months Ended December 31, 1992</b>		<b>Fiscal Year Ended June 30, 1992</b>		<b>Five Months Ended June 30, 1991</b>		<b>Total Activity February 1, 1991- December 31, 1992</b>	
<b>Sales</b>	\$65,458	100.00%	\$28,216	100.00%	\$0	100.00%	\$93,674	100.00%
<b>Direct costs</b>								
Inmate Labor	20,480	31.29%	8,378	29.69%	0		28,858	30.81%
Non-inmate labor	12,629	19.29%	11,242	39.84%	0		23,871	25.48%
Travel	0	0.00%	423	1.50%	0		423	0.45%
Contractual services	468	0.71%	2,033	7.21%	0		2,501	2.67%
Materials	0	0.00%	3	0.01%	0		3	0.00%
Supplies	222	0.34%	899	3.19%	0		1,121	1.20%
Depreciation	0	0.00%	0	0.00%	0		0	0.00%
<b>Subtotal direct costs</b>	<b>33,799</b>	<b>51.63%</b>	<b>22,978</b>	<b>81.44%</b>	<b>0</b>		<b>56,777</b>	<b>60.61%</b>
<b>Gross Profit</b>	<b>31,659</b>	<b>48.37%</b>	<b>5,238</b>	<b>18.56%</b>	<b>0</b>		<b>36,897</b>	<b>39.39%</b>
<b>Indirect costs</b>								
Inmate labor	1,171	1.78%	255	0.90%	0		1,426	1.52%
Non-inmate labor	13,567	20.73%	6,090	21.58%	0		19,657	20.98%
Travel	1,398	2.14%	534	1.89%	0		1,932	2.06%
Contractual services	10,397	15.88%	5,049	17.89%	0		15,446	16.49%
Supplies	1,202	1.84%	1,360	4.82%	0		2,562	2.74%
Depreciation	1,071	1.64%	36	0.13%	0		1,107	1.18%
<b>Subtotal indirect costs</b>	<b>28,806</b>	<b>44.01%</b>	<b>13,324</b>	<b>47.22%</b>	<b>0</b>		<b>42,130</b>	<b>44.98%</b>
<b>Income (loss) before other revenue (expenses)</b>	<b>2,853</b>	<b>4.36%</b>	<b>(8,086)</b>	<b>(28.66)%</b>	<b>0</b>		<b>(5,233)</b>	<b>(5.59)%</b>
Farm appropriation	0	0.00%	0	0.00%	0		0	0.00%
Inmate Welfare Funds	15,763	24.08%	10,129	35.90%	0		25,892	27.64%
Interest Income	1,550	2.37%	662	2.35%	0		2,212	2.36%
Other	1,219	1.86%	42	0.15%	0		1,261	1.35%
	<b>18,532</b>	<b>28.31%</b>	<b>10,833</b>	<b>38.39%</b>	<b>0</b>		<b>29,365</b>	<b>31.35%</b>
<b>Net Income (Loss)</b>	<b>\$21,385</b>	<b>32.67%</b>	<b>\$2,747</b>	<b>9.74%</b>	<b>\$0</b>		<b>\$24,132</b>	<b>25.76%</b>

**Appendix C (Continued)**  
**Magnolia State Enterprises - Gloves (SMCI)**  
**Revenue and Expenses**  
**February 1, 1991 through December 31, 1992**

	<b>Six Months Ended December 31, 1992</b>		<b>Fiscal Year Ended June 30, 1992</b>		<b>Five Months Ended June 30, 1991</b>		<b>Total Activity February 1, 1991- December 31, 1992</b>	
<b>Sales</b>	\$30,411	100.00%	\$1,570	100.00%	\$0	100.00%	\$31,981	100.00%
<b>Direct costs</b>								
Inmate Labor	9,030	29.69%	873	55.61%	0		9,903	30.97%
Non-inmate labor	12,639	41.56%	3,487	222.10%	0		16,126	50.42%
Travel	0	0.00%	1,072	68.28%	0		1,072	3.35%
Contractual services	881	2.90%	768	48.92%	0		1,649	5.16%
Materials	0	0.00%	16	1.02%	0		16	0.05%
Supplies	2,029	6.67%	589	37.52%	0		2,618	8.19%
Depreciation	0	0.00%	947	60.32%	0		947	2.96%
<b>Subtotal direct costs</b>	<b>24,579</b>	<b>80.82%</b>	<b>7,752</b>	<b>493.76%</b>	<b>0</b>		<b>32,331</b>	<b>101.09%</b>
<b>Gross Profit</b>	<b>5,832</b>	<b>19.18%</b>	<b>(6,182)</b>	<b>(393.76)%</b>	<b>0</b>		<b>(350)</b>	<b>(1.09)%</b>
<b>Indirect costs</b>								
Inmate labor	544	1.79%	14	0.90%	0		558	1.75%
Non-inmate labor	6,303	20.73%	339	21.58%	0		6,642	20.77%
Travel	650	2.14%	30	1.89%	0		679	2.12%
Contractual services	4,830	15.88%	281	17.89%	0		5,111	15.98%
Supplies	558	1.84%	76	4.82%	0		634	1.98%
Depreciation	498	1.64%	2	0.13%	0		500	1.56%
<b>Subtotal indirect costs</b>	<b>13,383</b>	<b>44.01%</b>	<b>741</b>	<b>47.22%</b>	<b>0</b>		<b>14,124</b>	<b>44.17%</b>
<b>Income (loss) before other revenue (expenses)</b>	<b>(7,551)</b>	<b>(24.83)%</b>	<b>(6,923)</b>	<b>(440.98)%</b>	<b>0</b>		<b>(14,474)</b>	<b>(45.26)%</b>
Farm appropriation	0	0.00%	0	0.00%	0		0	0.00%
Inmate Welfare Funds	7,323	24.08%	563	35.86%	0		7,886	24.66%
Interest Income	720	2.37%	37	2.36%	0		757	2.37%
Other	567	1.86%	2	0.13%	0		569	1.78%
	<b>8,610</b>	<b>28.31%</b>	<b>602</b>	<b>38.34%</b>	<b>0</b>		<b>9,212</b>	<b>28.80%</b>
<b>Net Income (Loss)</b>	<b>\$1,059</b>	<b>3.48%</b>	<b>(\$6,321)</b>	<b>(402.63)%</b>	<b>\$0</b>		<b>(\$5,263)</b>	<b>(16.46)%</b>

**Appendix C (Continued)**  
**Magnolia State Enterprises - Highway Projects**  
**Revenue and Expenses**  
**February 1, 1991 through December 31, 1992**

	<b>Six Months Ended December 31, 1992</b>		<b>Fiscal Year Ended June 30, 1992</b>		<b>Five Months Ended June 30, 1991</b>		<b>Total Activity February 1, 1991- December 31, 1992</b>	
	\$0	100.00%	\$0	100.00%	\$0	100.00%	\$0	100.00%
<b>Sales</b>								
<b>Direct costs</b>								
Inmate Labor	142		0		0		142	
Non-inmate labor	4,405		2,295		0		6,700	
Travel	208		0		0		208	
Contractual services	229		1,087		0		1,316	
Materials	0		0		0		0	
Supplies	1,183		266		0		1,449	
Depreciation	0		0		0		0	
<b>Subtotal direct costs</b>	<b>6,167</b>		<b>3,648</b>		<b>0</b>		<b>9,815</b>	
<b>Gross Profit</b>	<b>(6,167)</b>		<b>(3,648)</b>		<b>0</b>		<b>(9,815)</b>	
<b>Indirect costs</b>								
Inmate labor	0		0		0		0	
Non-inmate labor	0		0		0		0	
Travel	0		0		0		0	
Contractual services	0		0		0		0	
Supplies	0		0		0		0	
Depreciation	0		0		0		0	
<b>Subtotal indirect costs</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>	
<b>Income (loss) before other revenue (expenses)</b>	<b>(6,167)</b>		<b>(3,648)</b>		<b>0</b>		<b>(9,815)</b>	
Farm appropriation	0		0		0		0	
Inmate Welfare Funds	0		0		0		0	
Interest Income	0		0		0		0	
Other	0		0		0		0	
	0		0		0		0	
<b>Net Income (Loss)</b>	<b>(\$6,167)</b>		<b>(\$3,648)</b>		<b>\$0</b>		<b>(\$9,815)</b>	

**Note: Percentage of sales not calculated because sales = \$0.**

**Appendix C (Continued)**  
**Magnolia State Enterprises - Janitorial Supplies**  
**Revenue and Expenses**  
**February 1, 1991 through December 31, 1992**

	<b>Six Months Ended December 31, 1992</b>		<b>Fiscal Year Ended June 30, 1992</b>		<b>Five Months Ended June 30, 1991</b>		<b>Total Activity February 1, 1991- December 31, 1992</b>	
<b>Sales</b>	\$971	100.00%	\$17,679	100.00%	\$0	100.00%	\$18,650	100.00%
<b>Direct costs</b>								
Inmate Labor	938	96.60%	6,037	34.15%	0		6,975	37.40%
Non-inmate labor	0	0.00%	18,555	104.96%	0		18,555	99.49%
Travel	0	0.00%	84	0.48%	0		84	0.45%
Contractual services	360	37.08%	3,176	17.96%	754		4,290	23.00%
Materials	546	56.23%	13,415	75.88%	0		13,961	74.86%
Supplies	0	0.00%	7,696	43.53%	808		8,504	45.60%
Depreciation	0	0.00%	184	1.04%	0		184	0.99%
<b>Subtotal direct costs</b>	<b>1,844</b>	<b>189.91%</b>	<b>49,147</b>	<b>278.03%</b>	<b>1,562</b>		<b>52,553</b>	<b>281.79%</b>
<b>Gross Profit</b>	<b>(873)</b>	<b>(89.91)%</b>	<b>(31,468)</b>	<b>(178.00)%</b>	<b>(1,562)</b>		<b>(33,903)</b>	<b>(181.79)%</b>
<b>Indirect costs</b>								
Inmate labor	17	1.79%	160	0.91%	0		177	0.95%
Non-inmate labor	201	20.73%	3,816	21.58%	0		4,017	21.54%
Travel	21	2.14%	334	1.89%	0		355	1.90%
Contractual services	154	15.88%	3,163	17.89%	0		3,317	17.79%
Supplies	18	1.84%	852	4.82%	0		870	4.66%
Depreciation	16	1.64%	22	0.12%	0		38	0.20%
<b>Subtotal indirect costs</b>	<b>427</b>	<b>44.01%</b>	<b>8,347</b>	<b>47.21%</b>	<b>0</b>		<b>8,774</b>	<b>47.05%</b>
<b>Income (loss) before other revenue (expenses)</b>	<b>(1,300)</b>	<b>(133.91)%</b>	<b>(39,815)</b>	<b>(225.21)%</b>	<b>(1,562)</b>		<b>(42,677)</b>	<b>(228.83)%</b>
Farm appropriation	0	0.00%	0	0.00%	0		0	0.00%
Inmate Welfare Funds	234	24.08%	6,347	35.90%	0		6,581	35.29%
Interest Income	23	2.37%	415	2.35%	0		438	2.35%
Other	18	1.86%	27	0.15%	0		45	0.24%
	<b>275</b>	<b>28.31%</b>	<b>6,789</b>	<b>38.40%</b>	<b>0</b>		<b>7,064</b>	<b>37.88%</b>
<b>Net Income (Loss)</b>	<b>(\$1,025)</b>	<b>(105.60)%</b>	<b>(\$33,026)</b>	<b>(186.81)%</b>	<b>(\$1,562)</b>		<b>(\$35,613)</b>	<b>(190.96)%</b>

Note: June 30, 1991 percentage of sales not calculated because sales = \$0.

**Appendix C (Continued)**  
**Magnolia State Enterprises - Photo Finishing**  
**Revenue and Expenses**  
**February 1, 1991 through December 31, 1992**

	<b>Six Months Ended December 31, 1992</b>		<b>Fiscal Year Ended June 30, 1992</b>		<b>Five Months Ended June 30, 1991</b>		<b>Total Activity February 1, 1991- December 31, 1992</b>	
<b>Sales</b>	\$9,432	100.00%	\$15,165	100.00%	\$0	100.00%	\$24,597	100.00%
<b>Direct costs</b>								
Inmate Labor	1,904	20.19%	3,467	22.86%	0		5,371	21.84%
Non-inmate labor	0	0.00%	0	0.00%	0		0	0.00%
Travel	0	0.00%	0	0.00%	0		0	0.00%
Contractual services	534	5.66%	6,055	39.93%	0		6,589	26.79%
Materials	0	0.00%	6	0.04%	0		6	0.02%
Supplies	0	0.00%	873	5.76%	0		873	3.55%
Depreciation	0	0.00%	0	0.00%	0		0	0.00%
<b>Subtotal direct costs</b>	<b>2,438</b>	<b>25.85%</b>	<b>10,401</b>	<b>68.59%</b>	<b>0</b>		<b>12,839</b>	<b>52.20%</b>
<b>Gross Profit</b>	<b>6,994</b>	<b>74.15%</b>	<b>4,764</b>	<b>31.41%</b>	<b>0</b>		<b>11,758</b>	<b>47.80%</b>
<b>Indirect costs</b>								
Inmate labor	169	1.79%	137	0.90%	0		306	1.24%
Non-inmate labor	1,955	20.73%	3,273	21.58%	0		5,228	21.25%
Travel	201	2.14%	287	1.89%	0		488	1.99%
Contractual services	1,498	15.88%	2,714	17.90%	0		4,212	17.12%
Supplies	173	1.84%	731	4.82%	0		904	3.68%
Depreciation	154	1.64%	19	0.13%	0		173	0.70%
<b>Subtotal indirect costs</b>	<b>4,151</b>	<b>44.01%</b>	<b>7,161</b>	<b>47.22%</b>	<b>0</b>		<b>11,312</b>	<b>45.99%</b>
<b>Income (loss) before other revenue (expenses)</b>	<b>2,843</b>	<b>30.14%</b>	<b>(2,397)</b>	<b>(15.81)%</b>	<b>0</b>		<b>446</b>	<b>1.81%</b>
Farm appropriation	0	0.00%	0	0.00%	0		0	0.00%
Inmate Welfare Funds	2,271	24.08%	5,445	35.91%	0		7,716	31.37%
Interest Income	223	2.37%	355	2.34%	0		578	2.35%
Other	176	1.86%	23	0.15%	0		199	0.81%
	<b>2,670</b>	<b>28.31%</b>	<b>5,823</b>	<b>38.40%</b>	<b>0</b>		<b>8,493</b>	<b>34.53%</b>
<b>Net Income (Loss)</b>	<b>\$5,514</b>	<b>58.46%</b>	<b>\$3,426</b>	<b>22.59%</b>	<b>\$0</b>		<b>\$8,940</b>	<b>36.34%</b>

**Appendix C (Continued)**  
**Magnolia State Enterprises - Printing and Bookbinding**  
**Revenue and Expenses**  
**February 1, 1991 through December 31, 1992**

	<b>Six Months Ended December 31, 1992</b>		<b>Fiscal Year Ended June 30, 1992</b>		<b>Five Months Ended June 30, 1991</b>		<b>Total Activity February 1, 1991- December 31, 1992</b>	
<b>Sales</b>	\$183,006	100.00%	\$333,534	100.00%	\$94,060	100.00%	\$610,600	100.00%
<b>Direct costs</b>								
Inmate Labor	11,825	6.46%	18,155	5.44%	0	0.00%	29,980	4.91%
Non-inmate labor	36,343	19.86%	68,040	20.40%	61,860	65.77%	166,243	27.23%
Travel	316	0.17%	548	0.16%	337	0.36%	1,201	0.20%
Contractual services	8,605	4.70%	31,731	9.51%	17,293	18.39%	57,629	9.44%
Materials	63,471	34.68%	121,804	36.52%	25,425	27.03%	210,700	34.51%
Supplies	4,302	2.35%	9,243	2.77%	5,337	5.67%	18,882	3.09%
Depreciation	0	0.00%	2,753	0.83%	171	0.18%	2,924	0.48%
<b>Subtotal direct costs</b>	<b>124,862</b>	<b>68.23%</b>	<b>252,274</b>	<b>75.64%</b>	<b>110,423</b>	<b>117.40%</b>	<b>487,559</b>	<b>79.85%</b>
<b>Gross Profit</b>	<b>58,144</b>	<b>31.77%</b>	<b>81,260</b>	<b>24.36%</b>	<b>(16,363)</b>	<b>(17.40)%</b>	<b>123,041</b>	<b>20.15%</b>
<b>Indirect costs</b>								
Inmate labor	3,274	1.79%	3,012	0.90%	0	0.00%	6,286	1.03%
Non-inmate labor	37,929	20.73%	71,989	21.58%	24,432	25.98%	134,351	22.00%
Travel	3,909	2.14%	6,310	1.89%	5,932	6.31%	16,151	2.65%
Contractual services	29,068	15.88%	59,682	17.89%	25,379	26.98%	114,129	18.69%
Supplies	3,361	1.84%	16,080	4.82%	24,103	25.63%	43,544	7.13%
Depreciation	2,995	1.64%	420	0.13%	129	0.14%	3,544	0.58%
<b>Subtotal indirect costs</b>	<b>80,536</b>	<b>44.01%</b>	<b>157,493</b>	<b>47.22%</b>	<b>79,975</b>	<b>85.03%</b>	<b>318,004</b>	<b>52.08%</b>
<b>Income (loss) before other revenue (expenses)</b>	<b>(22,392)</b>	<b>(12.24)%</b>	<b>(76,233)</b>	<b>(22.86)%</b>	<b>(96,338)</b>	<b>(102.42)%</b>	<b>(194,963)</b>	<b>(31.93)%</b>
Farm appropriation	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Inmate Welfare Funds	44,070	24.08%	119,738	35.90%	67,576	71.84%	231,384	37.89%
Interest Income	4,333	2.37%	7,824	2.35%	3,972	4.22%	16,129	2.64%
Other	3,409	1.86%	501	0.15%	3,753	3.99%	7,663	1.25%
	<b>51,812</b>	<b>28.31%</b>	<b>128,063</b>	<b>38.40%</b>	<b>75,301</b>	<b>80.06%</b>	<b>255,176</b>	<b>41.79%</b>
<b>Net Income (Loss)</b>	<b>\$29,420</b>	<b>16.08%</b>	<b>\$51,830</b>	<b>15.54%</b>	<b>(\$21,037)</b>	<b>(22.37)%</b>	<b>\$60,213</b>	<b>9.86%</b>

## Appendix D

### Department of Corrections Pre-Release Job Assistance Program (Job Training Partnership Act)

Department of Corrections' (DOC) pre-release job assistance program's primary purpose is to prepare offenders to be successful in the world of work upon their release. The program's services and activities are designed to improve the participants' social and human relations skills to enhance their employability.

The program offers nine primary services which are grouped into three components: Employability Skills Training, Basic Skills, and Job Search Assistance. The nine service elements are:

- **Basic Skills:** Computer-based remedial education program which is self-paced with built in pre- and post-tests. The program teaches participants skills in basic computer literacy, reading remediation, math remediation and record keeping. The program is intended to advance participants one grade level in reading and math for every forty hours of instruction.
- **Adult Literacy in the Work-Place** Provides offenders whose reading level is below the eighth grade an opportunity to receive a minimum of fifty hours of classroom training in adult literacy in the work place and home environment.
- **Employability Skills Training:** Open-ended classroom activity which exposes participants to the world of work. The participants receive lectures on how to seek, prepare for, and secure a job. Activities include: reading want ads, filling out job applications, preparing resumes, practicing interviews through role-playing, improving communications skills, and learning proper work habits and dress. Employability skills instructors meet daily with all pre-release participants to discuss the importance of good self-esteem, positive values, personal appearance, and avoiding drug use.
- **Counseling:** This service allows the participants an opportunity to share with a professional in resolving occupational and personal conflicts encountered.

- **Job Development/Placement:** An essential element in the services rendered the participants. This task matches the offender with an employer. Contacts are made throughout the state to identify potential employers and other referral sources that lead to suitable employment for the offender.
- **Transportation:** A service provided on an as-needed basis designed to carry offenders to job interviews and job sites.
- **Residence Development:** Assists the offenders in securing a suitable place to reside upon release. This service is available to offenders who must relocate to a new area within the state.
- **Financial Assistance:** Provided through funds from the state. Program staff process applications for inmate grants to be given to the offender upon his or her release. The average grant is \$50, with which inmates are expected to purchase needed items upon release.
- **Follow-ups:** Up to ninety days after their release, inmates may receive assistance with any problems concerning their jobs and/or residences.

**SOURCE: DOC Pre-Release Job Assistance Program**

## **Appendix E**

### **Inmate Custody Classifications**

The Department of Corrections classifies inmates into one of three categories primarily to determine the level of security required for the inmate in custody. These categories, set forth in Section 08.08 of the DOC's *Policies and Procedures Manual*, are as follows:

**"A" custody:** Least restrictive - Affords inmates a more relaxed atmosphere and an extension of social privileges. This status requires a responsible attitude and the display of a high degree of integrity, along with the ability to work satisfactorily with minimum supervision or security control.

**"B" custody:** Medium security - To be classified as "B" custody, an inmate must have displayed a desire to be considered responsible and have progressed to the point where constant supervision or security control in his or her work assignment is not needed. "B" custody inmates are housed in medium security units and must be supervised by staff when engaging in activities outside their housing units.

**"C" custody:** Requires close supervision - "C" custody inmates must be under positive security control at all times. This classification applies by default to all inmates while in the admission and orientation program. "C" custody inmates are housed in maximum security units, and must be in restraint gear when permitted out of their housing units except when performing an assigned work detail.

**Appendix F**  
**Magnolia State Enterprises**  
**Overall Operations of Prison Industries Program**  
**For the Period July 1, 1989 through December 31, 1993**

	Department of Corrections		Magnolia State Enterprises			
	Fiscal Year Ended 6/30/90	Fiscal Year Ended 6/30/91*	Fiscal Year Ended 6/30/92	Fiscal Year Ended 6/30/93	(Unaudited) 6 Months 12/31/93	(Unaudited) Without Gloves 12/31/93
	<b>Sales</b>	\$438,221	\$581,315	\$975,229	\$979,352	\$1,143,826
<b>Direct costs</b>	666,652	636,725	935,095	708,876	655,487	534,438
<b>Gross Profit</b>	(228,431)	(55,410)	40,134	270,476	488,339	414,898
<b>Indirect costs (overhead)</b>	200,663	378,538	460,498	407,749	306,899	306,899
<b>Income after overhead</b>	(429,094)	(433,948)	(420,364)	(137,273)	181,440	107,999
<b>Inmate Welfare Funds received</b>	0	121,869	350,105	281,496	109,055	109,055
<b>Income after Inmate Welfare Funds</b>	(429,094)	(312,079)	(70,259)	144,223	290,495	217,054
<b>Farm lease income received</b>	344,839	300,192	317,517	(13,484)	0	0
<b>Income after farm lease income</b>	(84,255)	(11,887)	247,258	130,739	290,495	217,054
<b>Other income and (expenses)</b>	(129,642)	(130,259)	7,755	16,456	23,409	23,409
<b>Net Income (Loss)</b>	(\$213,897)	(\$142,146)	\$255,013	\$147,195	\$313,904	\$240,463

\* Fiscal year ending June 30, 1991 includes 7 months operated by DOC and 5 months by MSE.

SOURCE: Compiled by Magnolia State Enterprises.

**Appendix G**  
**Magnolia State Enterprises**  
**Operations of Prison Industries Program (Without Farm Operations)**  
**For the Period July 1, 1989 through December 31, 1993**

	Department of Corrections	Magnolia State Enterprises				
	Fiscal Year Ended 6/30/90	Fiscal Year Ended 6/30/91*	Fiscal Year Ended 6/30/92	Fiscal Year Ended 6/30/93	(Unaudited) 6 Months 12/31/93	(Unaudited) Without Gloves 12/31/93
Sales	\$285,773	\$523,207	\$792,698	\$979,352	\$1,143,826	\$949,336
Direct costs	422,609	442,463	689,790	695,692	655,487	534,438
Gross Profit	(136,836)	80,744	102,908	283,660	488,339	414,898
Indirect costs (overhead)	200,663	378,538	460,498	407,749	306,899	306,899
Income after overhead	(337,499)	(297,794)	(357,590)	(124,089)	181,440	107,999
Inmate Welfare Funds received	0	121,869	350,105	281,496	109,055	109,055
Income after Inmate Welfare Funds	(337,499)	(175,925)	(7,485)	157,407	290,495	217,054
Farm lease income received	0	0	0	0	0	0
Income after farm lease income	(337,499)	(175,925)	(7,485)	157,407	290,495	217,054
Other income and (expenses)	(129,642)	(130,259)	7,755	16,456	23,409	23,409
<b>Net Income (Loss)</b>	<b>(\$467,141)</b>	<b>(\$306,184)</b>	<b>\$270</b>	<b>\$173,863</b>	<b>\$313,904</b>	<b>\$240,463</b>

\* Fiscal year ending June 30, 1991 includes 7 months operated by DOC and 5 months by MSE.

SOURCE: Compiled by Magnolia State Enterprises.

*Appendix H*

*Proposed Legislation Concerning the  
Prison Industries Program*

MISSISSIPPI LEGISLATURE

REGULAR SESSION, 1994

BY:

TO:

\_\_\_\_\_ BILL NO. \_\_\_\_\_

AN ACT TO AMEND SECTION 31-7-1, MISSISSIPPI CODE OF 1972, TO EXCLUDE CERTAIN COMMODITIES PURCHASED FOR RESALE FROM THE STATE PURCHASING LAW; TO AMEND SECTION 47-5-553, MISSISSIPPI CODE OF 1972, TO REQUIRE THE DEPARTMENT OF CORRECTIONS TO PROVIDE SECURITY WITHIN THE PARAMETERS OF MAGNOLIA STATE ENTERPRISES FACILITIES; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

SECTION 1. Section 31-7-1, Mississippi Code of 1972, is amended as follows:

**§ 31-7-1. Definitions.**

The following terms are defined for the purposes of this chapter to have the following meanings:

(a) "Agency" shall mean any state board, commission, committee, council, university, department or unit thereof created by the Constitution or statutes if such board, commission, committee, council, university, department, unit or the head thereof is authorized to appoint subordinate staff by the Constitution or statute, except a legislative or judicial board, commission, committee, council, department or unit thereof.

(b) "Governing authority" shall mean boards of supervisors, governing boards of all school districts, all boards of directors of public water supply districts, boards of directors of master public water supply districts, municipal public utility commissions, governing authorities of all municipalities, port authorities, commissioners and boards of trustees of any public hospitals, boards of trustees of public library systems, district attorneys, school attendance officers and any political subdivision of the state supported wholly or in part by public funds of the state or political subdivisions thereof, including commissions, boards and agencies created or operated under the authority of any county or municipality of this state. The term "governing authority" shall not include economic development authorities supported in part by private funds, or commissions appointed to hold title to and oversee the development and management of lands and buildings which are donated by private individuals to the public for the use and benefit of the community and which are supported in part by private funds.

(c) "Purchasing agent" shall mean any administrator, superintendent, purchase clerk or other chief officer so designated having general or special authority to negotiate for and make private contract for or purchase for any governing authority.

(d) "Public funds" shall mean and include any appropriated funds, special funds, fees or any other emoluments received by an agency or governing authority.

(e) The word "commodities" shall mean and include the various commodities, goods, merchandise, furniture, equipment, automotive equipment of every kind, and other personal property purchased by the agencies of the state and governing authorities, but not commodities purchased for resale.

or goods purchased for resale to be converted or to which direct labor will be applied.

(f) The term "Office of General Services" shall mean the Department of Finance and Administration. Provided that when purchases are made for the Legislature or functions under its jurisdiction, it shall mean the Legislative Budget Office.

(g) The term "equipment" shall be construed to include: automobiles, trucks, tractors, office appliances and all other equipment of every kind and description.

(h) The term "furniture" shall be construed to include: desks, chairs, tables, seats, filing cabinets, bookcases and all other items of a similar nature as well as dormitory furniture, appliances, carpets and all other items of personal property generally referred to as home, office or school furniture.

(i) The term "emergency" shall mean any circumstances caused by fire, flood, explosion, storm, earthquake, epidemic, riot, insurrection or caused by any inherent defect due to defective construction, or when the immediate preservation of order or of public health is necessary by reason of unforeseen emergency, or when the immediate restoration of a condition of usefulness of any public building, equipment, road or bridge appears advisable, or in the case of a public utility when there is a failure of any machine or other thing used and useful in the generation, production or distribution of electricity, water or natural gas, or in the transportation or treatment of sewage; or when the delay incident to obtaining competitive bids could cause adverse impact upon the governing authorities or agency, its employees or its citizens.

~~SOURCES: Laws, 1900, ch. 550, § 1, eff. from and after July 1, 1950.~~

SECTION 2. Section 47-5-553, Mississippi Code of 1972, is amended as follows:

~~§ 47-5-553. Certification by superintendent of correctional facility as to security for program.~~

~~Before any prison industry may commence operations, the superintendent of the state correctional facility where such industry is to be located shall certify in writing to the chief executive officer of the corporation whether or not such facility has proper security. If such superintendent fails to certify the facility as having proper security, he shall certify in writing to the chief executive officer of the corporation what improvements are needed for the facility to have proper security. The corporation shall furnish its own security within the parameters of any prison industry work area.~~

~~SOURCES: Laws, 1960, ch. 584, § 12, off from and after passage (approved April 4, 1960).~~

The Department of Corrections shall have exclusive authority to furnish security within the parameters of any prison industry work area. The corporation shall reimburse the department for the actual cost of such security.

SECTION 3. This act shall take effect and be in force from and after its passage.

*SHORT TITLE: Prison industries purchases and security*

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## PEER Staff

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### Director

John W. Turcotte

### Administrative Division

Steve Miller, General Counsel  
and Controller

Betty Heggy  
Ann Hutcherson  
Mary McNeill

### Planning and Support Division

Max Arinder, Chief  
Analyst

Sam Dawkins  
Patty Hassinger  
Larry Landrum  
Kathleen Sullivan  
Linda Triplett  
Ava Welborn

### Operations Division

James Barber, Chief  
Analyst

Ted Booth  
Barbara Hamilton  
Susan Harris  
Kevin Humphreys  
Kelly Lockhart  
Helen McFall  
Joyce McCants  
Katherine Stark  
Larry Whiting

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