



**UNICOR**  
Federal Prison Industries, Inc.

**1977 ANNUAL REPORT**

48276

# BOARD OF DIRECTORS AND OFFICERS

---

## BOARD OF DIRECTORS

**John Marshall Briley**

President

Representing the Secretary of Defense

**William E. Morgan**

Vice-President

Representing Agriculture

**George Meany**

Representing Labor

**Peter B. Bensinger**

Representing the Attorney General

**Vacant**

Representing Retailers and Consumers

**Vacant**

Representing Industry

## OFFICERS

**Norman A. Carlson**

Director, Federal Bureau of Prisons

Commissioner

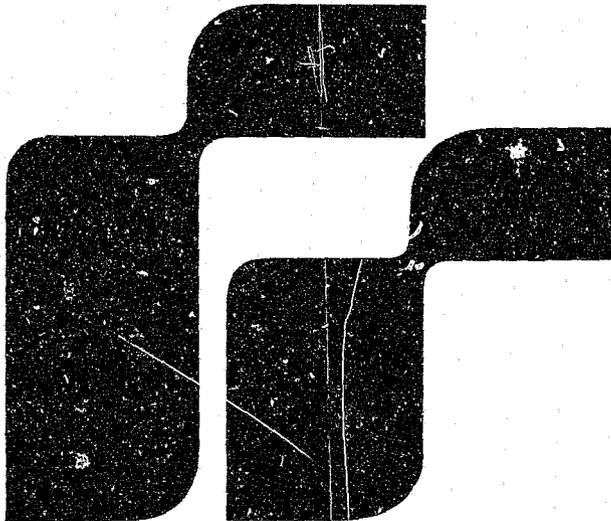
**David C. Jelinek**

Associate Commissioner

**Paul Plein**

Secretary/Deputy Associate Commissioner

ACQUISITIONS



In 1977, this new symbol was designed as the graphic expression of the term "Federal Prison System." The symbol is displayed on the cover of this annual report together with the new trade name for Federal Prison Industries, Inc., UNICOR, which will be introduced early in 1978.

The development of this new Corporate identity is consistent with the objective of the Federal Design Improvement Program initiated by the National Endowment for the Arts, to raise design quality throughout the Federal government.

This new graphic design conforms, also, to standards established by the Department of Justice which has embarked upon a Department-wide graphic design improvement program.

# TO THE CONGRESS OF THE UNITED STATES

Fiscal year 1977 was given largely to implementation of the Corporation's highest priority, its plans for expansion. Eleven new Federal Prison Industries were established at as many Federal institutions to provide employment opportunities and income for more inmates. A data entry shop was established at Miami, Florida; a machine tool and die shop at McNeil Island, Washington; an electronic cable factory at Memphis, Tennessee; cloth assembly operations at San Diego, California; Butner, North Carolina and Lewisburg (Camp), Pennsylvania; a wood plastics prototype shop at Petersburg, Virginia; a brush operation at New York, New York; an auto repair shop at Pleasanton, California; a boat fender operation at El Paso, Texas; and a print plant at Lexington, Kentucky was acquired from the Department of Health, Education and Welfare.

The steady growth in the Federal prison population continued in 1977. In June of 1975 it was less than 24,000. A year later it was 27,000 and at the end of September, 1977 the Federal inmate population stood at 30,300. Thus, Federal Prison Industries primary mission to employ Federal inmates was being felt more strongly than at any time in recent history. With most Federal institutions over-crowded it was evident that prior corporate planning was paying dividends in preventing idleness as well as in training offenders not only in work skills but in abilities to work steadily at any job.

Consistent with the increased need for industrial employment, the Corporation by year's end had increased to seventy the number of shops and factories it operates. A total

of 14,631 inmates were employed throughout the year with an average of more than 6,000 employed on any one day. The Corporation paid \$6.0 million in inmate wages, contributed almost \$2.0 million in payments to inmates performing meritorious or outstanding service in other than industrial jobs, and provided \$4.4 million for the operations of various vocational training programs under which more than 11 thousand inmates received instruction.

This was the first full year for the Corporation's Industrial Design Unit. Notable among many activities were the re-design of the Allenwood executive line of furniture, the design of new catalogs for shoes and furniture for the Schedule of Products, and the original design of hospital furniture for the Veterans Administration.

During this fiscal year, a number of decisions were made which will contribute to the strength of the Corporation in the coming years.

In 1978 the Automated Data Processing Division and Graphics Division will be combined as the Data Graphics Division. This move is being made because of the relatively small size of both divisions, common regulatory issues involving Department of Justice and Joint Committee on Printing, and for improved utilization of key personnel.

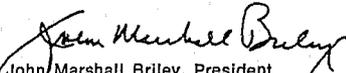
A Corporate Quality Assurance office will be established and staffed by mid year. This office will manage the overall Quality Assurance program for the Corporation.

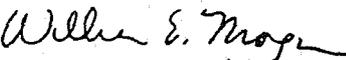
A Corporate Marketing function has been described and plans made to staff it early in 1978. Reporting to top management, this office will communicate developments and conditions in the Federal market, improve market awareness of Federal Prison Industries and its new identity as "UNICOR," and develop corporate level marketing strategy and programs.

A new, "Industrial Operations" training program has been developed and will be made available to all Federal Prison Industries personnel early in 1978 in a self-instructional format. Designed for

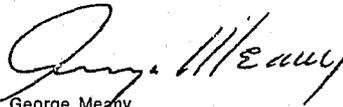
first line supervisors, the program will provide employees with increased awareness of overall Corporate operations.

The financial condition of the Corporation remains sound. Sales exceeded \$91.1 million with retained earnings of \$7.2 million. Cash balance at the end of the year was \$14.4 million, including a reserve of \$5.3 million for future construction and new equipment and expansion of facilities at established institutions, and a total of \$6.9 million needed to meet commitments for Vocational Training and Meritorious Service Award expenditures for the coming fiscal year 1978.

  
John Marshall Briley, President  
Representing the Secretary of Defense

  
William E. Morgan, Vice President  
Representing Agriculture

Vacant  
Representing Retailers and Consumers

  
George Meany  
Representing Labor

  
Peter B. Bensinger  
Representing the Attorney General

Vacant  
Representing Industry

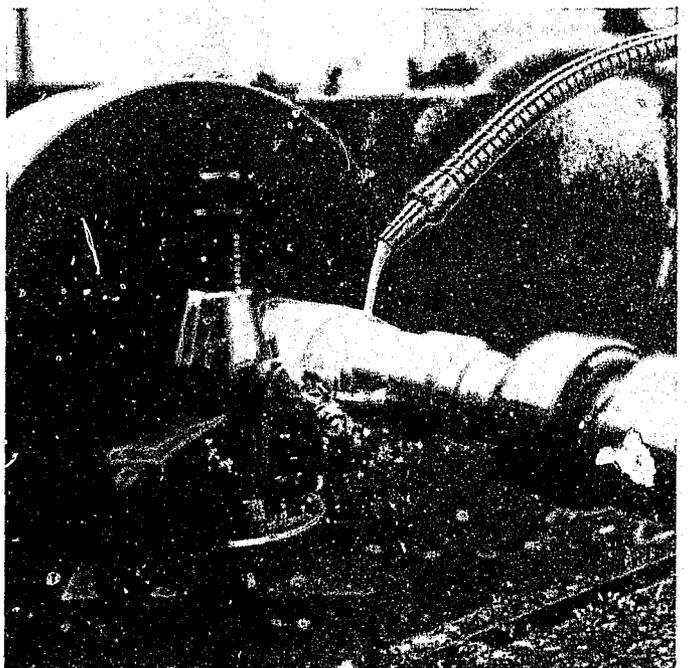
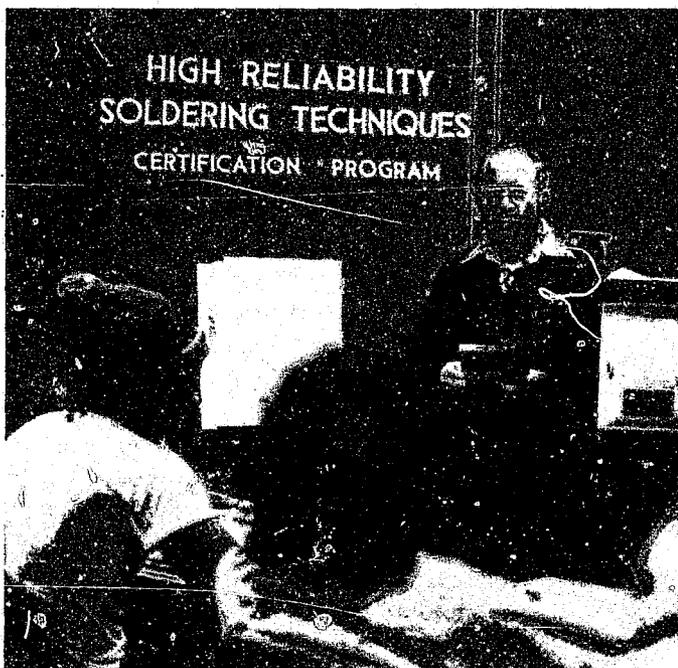
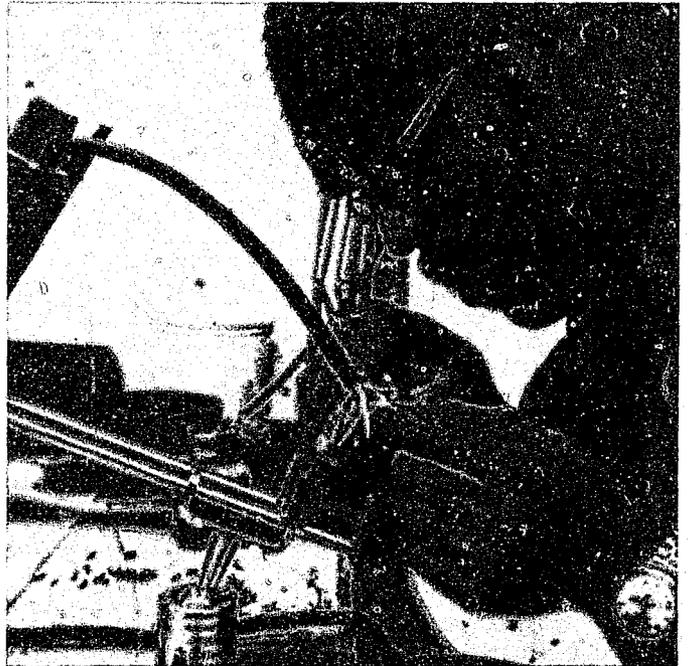
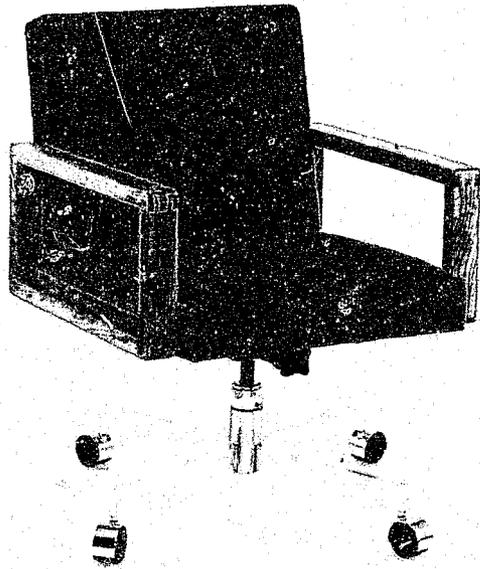
Attest:  
  
Paul Plein, Secretary/Deputy  
Associate Commissioner

# THE BUSINESS OF UNICOR

---

UNICOR provides employment and training for inmates of Federal correctional institutions through:

- More than forty different types of products and services for other Federal agencies.
- A diversified program of industrial operations conducted in such a manner as to offer a minimum of competition to private industry and labor.
- Employment that provides inmates with work, occupational knowledge and skills, plus money for personal expenses and family assistance.
- Training in entry level skills, factory on-the-job training, and through the financing of the Federal Prison System vocational training programs.
- The search for and development of new training-oriented industries, utilizing skills in demand in the labor market.



# AUDIT

---

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

The letter attesting to the findings of the General Accounting Office's examination is reprinted on the facing page. It also states the revised policy on audit frequency of the Corporation's financial statements.



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON REGIONAL OFFICE  
FIFTH FLOOR  
803 WEST BROAD STREET  
FALLS CHURCH, VIRGINIA 22046

October 19, 1977

Board of Directors  
Federal Prison Industries, Inc.  
Department of Justice  
Washington, D.C. 20537

Gentlemen:

We have recently completed an audit of Federal Prison Industries, Inc. (FPI) financial activities for the 3 months ended September 30, 1976. Our audit included an analysis of reports compiled by the Department of Justice internal audit staff, a review of the consolidation of accounting reports in the FPI central office, and an examination of the internal controls at one FPI factory location. Our analyses disclosed no material deficiencies that would require further investigation by the Board of Directors.

Public Law 93-604 provided that effective July 1, 1974, each wholly owned Government corporation shall be audited by GAO at least once every 3 years. Prior to this law, GAO conducted audits of these corporations on an annual basis. Given the authority of the law, GAO has reassessed its financial audits to determine what audit frequency would best serve the needs of Congress and assist the continuing efforts of the corporations. Two major factors, the internal audit function and past deficiencies observed by our office, inter-acted in this determination. At FPI we decided that the internal audit coverage provided by the Department of Justice was adequate. Additionally, GAO audits have not disclosed any serious deficiencies that have resulted in qualification to FPI's financial statements in the past.

These conditions have permitted us to establish a new policy on the frequency of our audits of FPI's financial statements. Effective with this letter, FPI has been placed on a 3-year audit cycle. Therefore, our next full audit is scheduled for fiscal year 1979. Our audit coverage, however, will involve the 3-year period.

During the interim periods, GAO will perform some auditing procedures on a selected basis at various FPI activities. These procedures will be directed primarily toward inventory observations and comparisons of the inventories with the accounting records, similar to the procedures we conducted this year at Lompoc. We will coordinate these efforts with you at a later date.

We appreciate the cooperation extended to our staff and look forward to continued association with your office.

Sincerely,  
*David P. Sorando*  
David P. Sorando  
Regional Manager

# INDUSTRIAL OPERATIONS

DIVISION	PRODUCTS AND SERVICES PROVIDED	PLANTS	AVERAGE NUMBER OF INMATES EMPLOYED	MAJOR FEDERAL CUSTOMERS	SALES
<b>AUTOMATED DATA PROCESSING</b>	Computer programming and data encoding services (keypunch, key-to-disk, key-to-tape).	7	195	Department of Agriculture Department of Defense Department of Commerce Department of Labor	\$ 917,934
<b>ELECTRONICS</b>	Wiring devices of all types, electrical cable assemblies, electronic wiring harnesses, printed circuits, electronic systems, support systems.	9	880	Department of Defense	12,527,168
<b>GRAPHICS</b>	General and special custom printing, wood and metal signs, decals, drafting services.	8	297	Department of the Interior General Services Administration Department of Agriculture Department of Defense	4,721,049
<b>METALS</b>	Metal office furniture, steel shelving, aluminum lockers, military beds, casters, bore brushes, tools and dies. This division also directs the production of certain non-metal items such as brooms, dairy products, automotive repair, and tire rebuilding.	13	1,054	U. S. Postal Service Veterans Administration General Services Administration Department of Defense Department of Health, Education & Welfare	18,375,547
<b>SHOE and BRUSH</b>	Military dress shoes, safety boots and shoes, orthopedic and custom shoes, institutional shoes; wide variety of paint, varnish and maintenance brushes.	5	756	Department of Defense General Services Administration Department of Justice Veterans Administration	13,916,208
<b>TEXTILES</b>	Cotton and wool textiles, canvas, canvas goods, synthetic textile products, mattresses, gloves, clothing, weather parachutes.	14	1,795	U. S. Postal Service Department of Defense General Services Administration Veterans Administration	25,836,578
<b>WOOD and PLASTICS</b>	Allenwood walnut furniture, solid wood furniture, molded fiberglass with chrome trim furniture, plastic laminated particleboard furniture, lifeboat repair, fiberglass molding and furniture refinishing.	13	1,018	Department of Defense General Services Administration Department of Justice Veterans Administration	10,170,548

# BALANCE SHEET

At June 30, 1976, September 30, 1976 (TQ) and September 30, 1977 (Note 1)

ASSETS	1977	TQ	1976
<b>CURRENT ASSETS:</b>			
Funds with U.S. Treasury .....	\$ 14,385,773	\$ 14,859,060	\$ 10,737,504
Accounts receivable (Note 2) .....	11,238,514	8,522,182	10,375,123
Inventories:			
Finished goods .....	7,170,207	6,114,286	5,552,819
Work-in-process .....	6,538,167	5,656,532	6,103,246
Materials and supplies .....	21,713,370	17,648,329	18,401,694
Total Current Assets .....	61,046,031	52,800,389	51,170,386
<b>PLANT AND EQUIPMENT:</b>			
<b>Operating:</b>			
Machinery and equipment .....	21,806,640	20,018,567	19,905,054
Building and improvements .....	21,298,786	20,324,360	20,318,247
	43,105,426	40,342,927	40,223,301
Less accumulated depreciation .....	20,238,008	18,660,310	18,004,452
	22,867,418	22,182,617	22,218,849
Construction-in-process .....	1,593,420	1,146,221	596,968
	24,460,838	23,328,838	22,815,817
<b>Vocational Training:</b>			
Machinery and equipment .....	2,218,870	2,094,920	1,948,130
Building and improvements .....	5,106,085	5,091,009	5,572,883
	7,324,955	7,185,929	7,521,013
Less accumulated depreciation .....	2,763,972	2,612,670	2,846,946
	4,560,983	4,573,259	4,674,067
Construction-in-process .....	-0-	-0-	1,504
	4,560,983	4,573,259	4,675,571
<b>OTHER ASSETS</b>	599,277	344,114	324,444
<b>Total Assets</b> .....	\$ 90,667,129	\$ 81,046,600	\$ 78,986,218

See notes to financial statements

**LIABILITIES AND CAPITAL**

**CURRENT LIABILITIES:**

	1977	TC	1976
Accounts payable .....	\$ 3,231,985	\$ 2,379,377	\$ 2,319,903
Accrued payroll .....	2,858,755	2,362,400	2,712,378
Other accrued liabilities .....	1,294,051	924,037	1,123,746
Contingent liability for price adjustments (Note 3) .....	57,320	164,081	164,081
<b>Total Current Liabilities .....</b>	<b>7,442,111</b>	<b>5,829,945</b>	<b>6,320,108</b>

**CAPITAL:**

Initial investment of U.S. Government .....	4,176,040	4,176,040	4,176,040
Capital contributions received from other Government agencies, net .....	4,661,923	3,836,894	3,872,166
Retained earnings .....	74,387,055	67,153,721	64,617,904
<b>Total Capital .....</b>	<b>83,225,018</b>	<b>75,216,655</b>	<b>72,666,110</b>
<b>Total Liabilities and Capital .....</b>	<b>\$ 90,667,129</b>	<b>\$ 81,046,600</b>	<b>\$ 78,986,218</b>

The Board of Directors of the Federal Reserve Bank of New York, acting through its governing and credit departments, has approved the financial statements and the accompanying notes thereto for the year ended June 30, 1977. The Board of Directors also has approved the financial statements and the accompanying notes thereto for the year ended June 30, 1976. The Board of Directors also has approved the financial statements and the accompanying notes thereto for the year ended June 30, 1975.

# STATEMENT OF INCOME AND EXPENSE

For Fiscal Years Ended June 30, 1976, September 30, 1976 (TQ) and September 30, 1977 (Note 1)

	1977	TQ	1976
SALES TO OTHER GOVERNMENT AGENCIES . . .	\$ 86,465,032	\$ 2,599,494	\$ 78,153,903
Cost of goods and services sold (Note 4) . . .	70,550,430	17,099,675	64,249,366
GROSS PROFIT	15,914,602	4,499,769	13,904,537
Selling Expenses:			
Freight . . . . .	560,602	142,076	392,646
Samples . . . . .	26,848	442	24,605
	587,450	146,518	417,251
Administrative Expenses (Note 5)			
Salaries . . . . .	710,171	150,128	599,345
Workmen's compensation (Note 6) . . . . .	279,645	142,165	288,101
Travel . . . . .	58,145	10,208	36,087
Rent for Washington office . . . . .	34,711	6,987	26,176
Telephone . . . . .	10,943	2,661	11,828
Printing and reproduction . . . . .	73,433	35,241	39,497
Auditing (Note 7) . . . . .	180,000	50,700	210,000
Miscellaneous . . . . .	570,962	78,515	195,550
	1,918,010	476,575	1,406,584
Depreciation . . . . .	12,194	3,066	2,572
TOTAL OPERATING EXPENSES . . . . .	2,517,654	626,129	1,826,407
Income from operations . . . . .	13,396,948	3,873,630	12,078,130
OTHER INCOME . . . . .	492,045	38,748	154,491
LOSS ON DISPOSITION OF ASSETS . . . . .	(100,491)	62,504	(47,509)
INCOME BEFORE NON-OPERATING EXPENSES . . . . .	13,788,502	3,944,832	12,185,112
Christmas packages to inmates . . . . .	69,715	-0-	58,626
Meritorious compensation to inmates . . . . .	1,992,359	365,432	1,281,969
Accident compensation . . . . .	121,097	20,720	92,766
Vocational expenses (Note 8) . . . . .	4,371,997	1,052,918	4,722,189
Total non-operating expenses (Note 9) . . . . .	6,555,168	1,409,065	6,155,550
NET INCOME . . . . .	7,233,334	2,535,817	6,029,562
RETAINED EARNINGS AT BEGINNING OF YEAR . . . . .	67,153,721	64,617,904	58,588,342
RETAINED EARNINGS AT END OF YEAR . . . . .	\$ 74,387,055	\$ 67,153,721	\$ 64,617,904

See notes to financial statements

# STATEMENT OF CHANGES IN FINANCIAL POSITION

For Fiscal Years Ending June 30, 1976, September 30, 1976 (TQ) and September 30, 1977 (Note 1)

	1977	TQ	1976
<b>FUNDS PROVIDED BY:</b>			
Sales of products and services .....	\$ 86,465,032	\$ 21,599,434	\$ 78,153,903
Other income .....	492,045	38,748	154,491
Capital contribution .....	653,637	12,879	200,450
Total Funds Provided .....	87,610,714	21,651,061	78,508,844
<b>FUNDS USED FOR:</b>			
Cost of goods and services sold, net of depreciation .....	68,682,482	16,647,518	62,483,788
Selling expenses .....	587,450	146,518	417,251
Administrative expenses .....	1,918,010	470,575	1,406,584
Loss on sale of fixed assets .....	100,491	(32,504)	47,509
Acquisition of fixed assets .....	3,195,642	944,891	1,425,876
Vocational training expenses .....	4,054,829	972,075	4,346,547
Net of depreciation (Note 8)			
Christmas packages to inmates .....	69,715	-0-	58,626
Meritorious compensation to inmates .....	1,992,359	335,432	1,281,969
Accident compensation .....	121,097	20,720	92,766
Total Funds Used .....	80,722,075	19,511,225	71,560,916
<b>INCREASE IN WORKING CAPITAL</b>	<b>\$ 6,888,639</b>	<b>\$ 2,139,836</b>	<b>\$ 6,947,928</b>
<b>ANALYSIS OF CHANGES IN WORKING CAPITAL:</b>			
<b>Increase (Decrease) in Current Assets:</b>			
Funds with U.S. Treasury .....	(473,287)	4,121,556	5,936,743
Accounts receivable .....	2,716,332	(1,852,941)	4,726,205
Inventories			
Finished goods .....	1,055,921	561,467	(246,106)
Work-in-process .....	881,635	(446,714)	(139,256)
Materials and supplies .....	4,065,041	(759,365)	(2,883,404)
Other .....	255,163	19,670	(9,925)
<b>(Increase) Decrease in Current Liabilities</b>			
Accounts payable .....	(852,608)	(59,474)	(281,615)
Accrued payroll .....	(341,594)	279,739	(50,938)
Other liabilities .....	(524,725)	275,898	(361,583)
Estimated liability for price adjustments (Note 3) .....	106,761	-0-	257,807
<b>INCREASE IN WORKING CAPITAL</b>	<b>\$ 6,888,639</b>	<b>\$ 2,139,836</b>	<b>\$ 6,947,928</b>

# NOTES TO FINANCIAL STATEMENTS

---

## **NOTE 1. Significant Accounting Policies**

The financial statements of Federal Prison Industries, Inc., include the accounts of the central office and the industrial facilities at 32 penal and correctional institutions. Appropriate eliminations are made for interindustry transactions and profits therefrom.

The straight line method of depreciation is used for all depreciable assets. Rates of depreciation are generally based on useful life guidelines established in Revenue Procedures 62-21, issued by the Treasury Department, Internal Revenue Service.

Raw materials inventory is recorded at actual cost of appraised value for donated material.

Work-in-process inventory is recorded at actual cost determined by one of the following methods: process costing, job costing, or standard costing, depending upon the type of industry.

Finished goods inventory is stated at the lower of cost or 95 percent of selling price.

All fixed assets costing \$200 or more are capitalized, otherwise they are expensed in the current period.

## **NOTE 2. Accounts Receivable**

Accounts receivable consists primarily of amounts due from Government agencies (e.g., Post Office, General Services Administration and Department of Defense). Approximately \$807,000 FY 77, \$362,000 T.Q., and \$445,000 FY 76 of accounts receivable were past due 90 days or more.

## **NOTE 3. Liability for Price Adjustments**

During Fiscal Year 1977 partial settlement was made on the 1975 shoe contract for \$163,940.40 (remaining to be settled 216 pair of shoes total contingency \$140.40). Sales and Profits have been reduced by \$57,180.00 and a liability established to provide for anticipated payments for price adjustments on items sold during the year under a tentative price contract.

**NOTE 4. Cost of Goods and Services Sold**

Cost of goods and services sold consists of material net of discounts and scrap sales, direct in-mate labor, and overhead which includes Product Division Expense, survey of inventory and costs reclassified.

	Fiscal Year 1977	Transition Quarter	Fiscal Year 1976
Material .....	\$ 44,158,026	\$ 10,542,784	\$ 38,368,493
Labor .....	4,057,938	1,059,374	3,822,048
Overhead .....	24,272,022	5,612,270	21,673,463
	<b>\$ 72,487,986</b>	<b>\$ 17,214,428</b>	<b>\$ 63,864,004</b>
Add Work-in-process, beginning .....	5,656,532	6,103,246	6,242,502
Less Work-in-process, ending .....	(6,538,167)	(5,656,532)	(6,103,246)
Cost of goods and services manufactured .....	71,606,351	17,661,142	64,003,260
Add Finished goods, beginning .....	6,114,286	5,552,819	5,798,925
Less Finished goods, ending .....	(7,170,207)	(6,114,286)	(5,552,819)
Cost of goods and services sold .....	<b>\$ 70,550,430</b>	<b>\$ 17,099,675</b>	<b>\$ 64,249,366</b>

**NOTE 5. Administrative Expenses**

Certain administrative expenses are subject to Congressional Limitation, they receive all charges related to the general management of the Corporation as a whole.

	Fiscal Year 1977	Transition Quarter	Fiscal Year 1976
Amounts subject to Congressional Limitation:			
Salaries .....	\$ 710,171	\$ 150,128	\$ 599,345
Travel .....	58,145	10,208	36,087
Rent for Washington office .....	34,711	6,987	26,176
Telephone .....	10,943	2,631	11,828
Printing and reproduction .....	73,433	35,241	39,497
Auditing .....	180,000	50,700	210,000
Miscellaneous .....	188,490	11,283	41,456
Expenses subject to limitation .....	<b>\$ 1,255,893</b>	<b>\$ 267,178</b>	<b>\$ 964,389</b>
Congressional Limitation:			
1977 - \$1,618,000			
T.Q. - \$ 524,000			
1976 - \$1,906,000			

**NOTE 6. Workmen's Compensation**

The amount shown for fiscal year 1976 represents an adjustment of \$48,101 to reflect the actual expenses billed the Corporation for fiscal year 1975 by the Department of Labor and an accrual of \$240,000 for fiscal year 1976.

**NOTE 7. Auditing**

The amounts reported represents charges for the internal audit function performed by the

Office of Internal Audit, Department of Justice and the audit of the Corporation's financial statements by the General Accounting Office. Department of Justice internal audits are performed annually. Beginning with fiscal year 1977 the General Accounting Office will audit the Corporation's financial statement on a tri-annual basis; previously audits were performed annually including the Transition Quarter. The amount shown for fiscal year 1977 reflects an accrual for estimated interim work by the General Accounting Office.

**NOTE 8. Vocational Expense**

	Fiscal Year 1977	Transition Quarter	Fiscal Year 1976
Personal compensation .....	\$ 2,711,960	\$ 619,871	\$ 2,920,449
Personal benefits .....	272,613	63,475	291,378
Travel and transportation of persons .....	60,263	20,268	59,422
Transportation of things .....	17,129	1,577	11,305
Rent, communications, utilities .....	215,333	46,218	246,357
Printing and reproduction .....	115,786	30,095	136,402
Other services .....	357,958	105,494	324,754
Supplies and materials .....	303,787	85,078	356,480
Subject to congressional limitation <sup>a</sup> .....	4,054,829	972,076	4,346,547
Add depreciation:			
Machinery and equipment .....	162,701	38,426	195,172
Building and improvements .....	154,467	42,411	180,470
Total .....	\$ 4,371,997	\$ 1,052,913	\$ 4,722,189

<sup>a</sup> Subject to Congressional limitation of \$4,829,000 for FY 77, \$1,331,000 for T.Q. and \$5,120,000 for FY 76.

**NOTE 9. Non-Operating Expenses**

These expenses are not directly related to the operations of FPI but apply to all inmates of

Federal Prisons. The amounts are determined by the Board of Directors, except for accident compensation which is based on actual experience.



**FEDERAL PRISON INDUSTRIES, INC.**

**WASHINGTON, D.C. 20534**

**OFFICIAL BUSINESS**

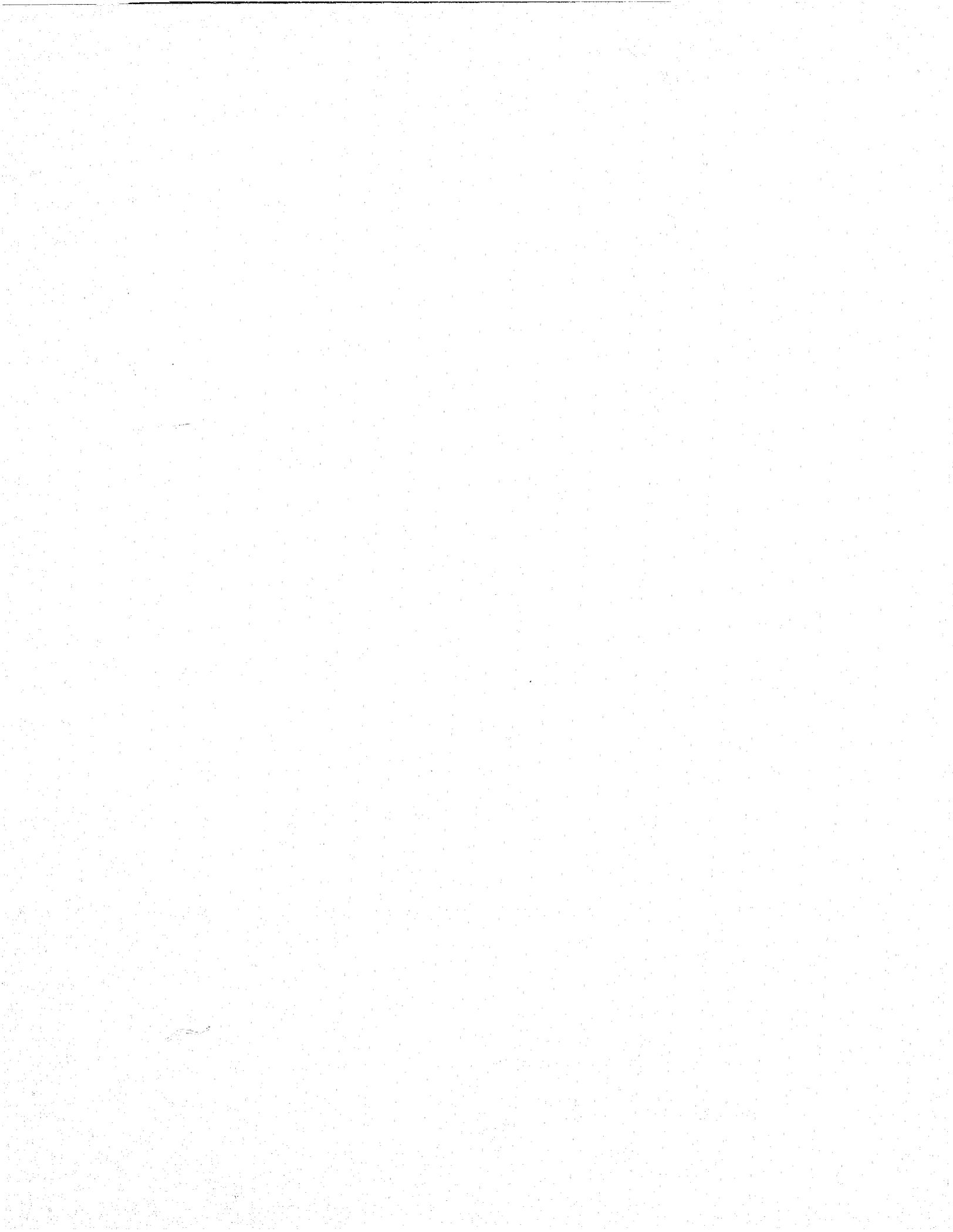
**PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID  
UNITED STATES DEPARTMENT OF JUSTICE  
JUS-435  
3RD CLASS MAIL**



This publication printed by UNICOR (Federal Prison Industries) Printing Plant, Federal Penitentiary, Marion, Illinois.

Training in the Printing Plant at Marion includes an apprenticeship program in composition, camera and plate-making and offset printing. This program is approved by the United States Department of Labor, Bureau of Apprenticeship and Training and the Marion, Illinois Area Multi-Trades Joint Apprenticeship Standards.



**END**