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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Examination Of The Financial Statements Of The Federal Prison Industries, Inc., For The Year Ended September 30, 1982

GAO examined the financial statements of the Federal Prison Industries, Inc., for the year ended September 30, 1982. The examination was made in accordance with generally accepted government auditing standards.

In GAO's opinion, the financial statements present fairly the financial position of the Federal Prison Industries, Inc., as of September 30, 1982, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles.



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GAO/AFMD-83-59
MARCH 30, 1983

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

B-198500

To the President of the Senate and the
Speaker of the House of Representatives

This report presents our opinion on the financial statements of the Federal Prison Industries, Inc., for the year ended September 30, 1982. We made our examination pursuant to the provisions of 31 U.S.C. 9105, and in accordance with generally accepted government auditing standards.

The Federal Prison Industries, Inc., is responsible for conducting industrial operations in the Federal penal and correctional institutions for the purpose of providing employment and training to inmates. Goods and services are sold to other Government agencies at prices not exceeding current market prices.

We are sending copies of this report to the Director of the Office of Management and Budget, the Attorney General, and the Board of Directors, Federal Prison Industries, Inc.

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Comptroller General
of the United States



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

B-198500

To the Board of Directors
Federal Prison Industries, Inc.

We have examined the balance sheet of the Federal Prison Industries, Inc., as of September 30, 1982, and the related statements of operations and cumulative results of operations, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

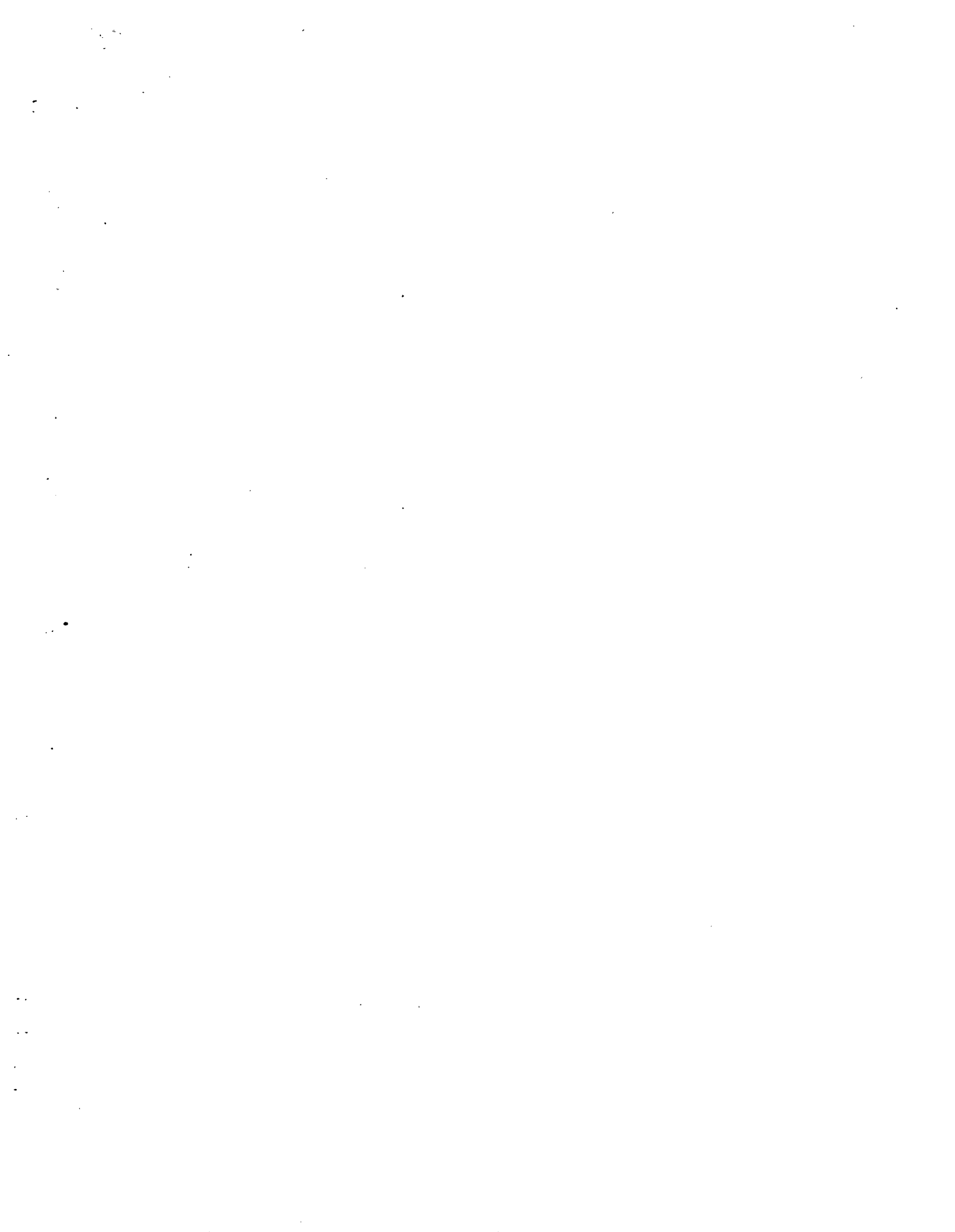
In our opinion, the financial statements referred to above present fairly the financial position of the Federal Prison Industries, Inc., as of September 30, 1982, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles. These principles are applied on a basis consistent with that of the preceding year after giving retroactive effect to the changes, with which we concur, in the methods of accounting for fixed assets for vocational training programs, donated property, and cash disbursements, as described in Note 1 to the financial statements. The financial statements of the Federal Prison Industries, Inc., for the year ended September 30, 1981, were not audited by us and, accordingly, we do not express an opinion on them.

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Comptroller General
of the United States

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REPORT ON INTERNAL ACCOUNTING CONTROLS

As part of our examination of the financial statements of the Federal Prison Industries, Inc., for the year ended September 30, 1982, we made a study and evaluation of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Treasury.
- Expenditure.
- Payroll.
- Conversion.
- Revenue.
- Financial reporting.

Our study included all of the control categories listed above except that we did not evaluate the accounting controls over treasury, payroll, and financial reporting because it was more efficient to expand substantive audit tests. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the corporation's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Federal Prison Industries, Inc., is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Federal Prison Industries, Inc., taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed the following condition that we believe could result in errors or irregularities in amounts that would be material in relation to the financial statements of the Federal Prison Industries, Inc., and not be detected within a timely period:

Procedures utilized to estimate, accumulate, record, and analyze production costs for products manufactured by the corporation were inadequate to provide proper control over job costing and product pricing. This was evidenced by a lack of (1) up-to-date, complete, or correct unit cost estimates, (2) consistent or accurate charges to material, labor, and overhead accounts, (3) adequate variance analysis of actual and estimated costs, and (4) proper preparation and review of costing forms.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the 1982 financial statements, and this report does not affect our report on the financial statements.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the Federal Prison Industries, Inc., for the year ended September 30, 1982. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances.

In our opinion, the Federal Prison Industries, Inc., complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected the corporation's financial statements.

Nothing came to our attention in connection with our examination that caused us to believe that the corporation was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

FEDERAL PRISON INDUSTRIES, INC.
Balance Sheet
September 30, 1982 and 1981

	<u>ASSETS</u>	<u>1982</u>	<u>(Unaudited) 1981</u>
CURRENT ASSETS			
Cash		\$ 20,430,114	\$ 15,833,781
Accounts Receivable (Note 2)		19,168,385	19,758,687
Inventories			
Finished Goods		8,915,196	9,269,676
Work In Process		10,283,931	9,722,404
Materials and Supplies		34,580,207	29,638,893
Total Current Assets		<u>93,377,833</u>	<u>84,223,441</u>
PLANT AND EQUIPMENT			
Machinery and Equipment		27,897,503	28,876,595
Accumulated Depreciation		(14,763,653)	(16,384,482)
Buildings and Improvements		28,019,857	29,154,391
Accumulated Depreciation		(10,550,046)	(10,601,644)
Construction In Progress		1,728,523	1,648,709
Total Plant and Equipment		<u>32,332,184</u>	<u>32,693,569</u>
OTHER ASSETS			
Excess Inventory, net (Note 3)		4,698,564	-0-
Idle Plant and Equipment, net (Note 4)		2,495,635	-0-
Prepaid and Deferred Expenses		2,438,979	2,156,429
Total Other Assets		<u>9,633,178</u>	<u>2,156,429</u>
TOTAL ASSETS		<u>\$135,343,195</u>	<u>\$119,073,439</u>
<u>LIABILITIES AND U. S. GOVERNMENT EQUITY</u>			
CURRENT LIABILITIES			
Accounts Payable		\$ 3,747,198	\$ 3,399,598
Accrued Salaries and Wages		1,763,747	1,419,902
Other Accrued Liabilities		1,245,422	1,697,145
Total Current Liabilities		<u>6,756,367</u>	<u>6,516,645</u>
EMPLOYEE ACCRUED LEAVE		<u>1,975,188</u>	<u>1,853,279</u>
TOTAL LIABILITIES		<u>8,731,555</u>	<u>8,369,924</u>
U.S. GOVERNMENT EQUITY			
Initial Capital		4,176,040	4,176,040
Donated Property		1,034,423	515,386
Cumulative Results of Operations		121,401,177	106,012,089
TOTAL U.S. GOVERNMENT EQUITY		<u>126,611,640</u>	<u>110,703,515</u>
TOTAL LIABILITIES AND U.S. GOVERNMENT EQUITY		<u>\$135,343,195</u>	<u>\$119,073,439</u>

The accompanying notes are an integral part of these financial statements.

FEDERAL PRISON INDUSTRIES, INC.
Statement of Operations and Cumulative Results of Operations
For Fiscal Years Ended September 30, 1982 and 1981

	<u>1982</u>	(Unaudited) <u>1981</u>
SALES	\$ 147,571,250	\$ 128,001,178
COST OF GOODS AND SERVICES SOLD (Note 5)	<u>114,273,067</u>	<u>104,003,385</u>
GROSS PROFIT	33,298,183	23,997,793
OTHER OPERATING INCOME, net (Note 6)	302,878	547,982
OTHER OPERATING EXPENSES		
Other Expenses, (Note 7)	4,644,699	2,804,213
Selling and Samples	459,850	383,556
Product Division Expenses (Note 8)	2,880,813	2,654,743
Corporate Administrative Expenses (Note 9)	<u>2,451,094</u>	<u>1,969,004</u>
INCOME BEFORE NON-OPERATING EXPENSES	23,164,605	16,734,259
NON-OPERATING EXPENSES (Note 10)		
Vocational Training Expenses (Note 11)	3,140,419	2,922,034
Performance Pay	<u>3,984,224</u>	<u>3,392,536</u>
NET INCOME FROM CONTINUING OPERATIONS	16,039,962	10,419,689
LESS DISCONTINUED OPERATIONS (Note 12)	<u>495,702</u>	<u>1,165,630</u>
NET INCOME BEFORE EXTRAORDINARY ITEM	15,544,260	9,254,059
LESS EXTRAORDINARY ITEM (Note 13)	<u>155,172</u>	<u>-0-</u>
NET INCOME	<u>15,389,088</u>	<u>9,254,059</u>
CUMULATIVE RESULTS OF OPERATIONS, Beginning	106,012,089	93,989,955
PRIOR PERIOD ADJUSTMENTS (Note 14)	<u>-0-</u>	<u>2,768,075</u>
CUMULATIVE RESULTS OF OPERATIONS, Restated	<u>106,012,089</u>	<u>96,758,030</u>
CUMULATIVE RESULTS OF OPERATIONS, Ending	<u>\$ 121,401,177</u>	<u>\$ 106,012,089</u>

The accompanying notes are an integral part of these financial statements.

FEDERAL PRISON INDUSTRIES, INC.
Statement of Changes in Financial Position
For Fiscal Years Ended September 30, 1982 and 1981

	<u>1982</u>	<u>(Unaudited) 1981</u>
SOURCES OF WORKING CAPITAL:		
Net Income Before Extraordinary Item	\$ 15,544,260	\$ 9,254,059
Add (Deduct) Items not Requiring Outlay of Working Capital in Current Period:		
Depreciation Expense	\$ 2,532,918	\$2,319,975
Loss on Disposal of Assets	1,379,991	135,174
Amortization Expense	390,887	271,951
Recapture on Donations	<u>(67,985)</u>	<u>(10,104)</u>
Extraordinary Item (Note 13)	<u>(155,172)</u>	<u>-0-</u>
Funds Provided from Operations	19,624,899	11,971,055
Other Sources:		
Increase in Employee Accrued Leave	121,909	115,992
Reduction in Workmans Compensation	<u>-0-</u>	<u>563,883</u>
Total Sources of Working Capital	<u>19,746,808</u>	<u>12,650,930</u>
USES OF WORKING CAPITAL:		
Acquisition of Fixed Assets	4,235,685	2,032,078
Construction Expenditures	800,537	1,794,819
Charges to Prepaid and Deferred Expenses	1,097,352	721,685
Reclassification of Inventory	<u>4,698,564</u>	<u>-0-</u>
Total Uses of Working Capital	<u>10,832,138</u>	<u>4,548,582</u>
NET INCREASE IN WORKING CAPITAL	<u>\$ 8,914,670</u>	<u>\$ 8,102,348</u>

Analysis of Changes in Working Capital

	INCREASE (DECREASE)	
CURRENT ASSETS		
Cash	\$ 4,596,333	\$ 3,492,891
Accounts Receivable	(590,302)	3,551,195
Inventory	<u>5,148,361</u>	<u>(106,491)</u>
Increase In Current Assets	<u>9,154,392</u>	<u>6,937,595</u>
CURRENT LIABILITIES		
Accounts Payable	347,600	(512,779)
Accrued Salaries and Wages	343,845	(696,149)
Other Accrued Liabilities	<u>(451,723)</u>	<u>44,175</u>
Increase (Decrease) In Current Liabilities	<u>239,722</u>	<u>(1,164,753)</u>
NET INCREASE IN WORKING CAPITAL	<u>\$ 8,914,670</u>	<u>\$ 8,102,348</u>

The accompanying notes are an integral part of these financial statements.

FEDERAL PRISON INDUSTRIES, INC.
Notes to Financial Statements

The corporation has a unique relationship with the Bureau of Prisons in that the nature of our missions requires sharing of facilities and responsibilities relative to the custody of federal inmates and management of related programs for training and employment. The result of this relationship is that the corporation receives and provides some services and resources such as building space and equipment without recognized revenue or cost. The benefits received by each organization are both tangible and intangible and offset each other as nearly as practicable. A summary of relationships between the Bureau of Prisons and Federal Prison Industries, Inc. is as follows:

- 1) Services or facilities which the Bureau of Prisons provides the corporation without recognition of cost:
 - The Director of the Bureau of Prisons serves as the ex-officio commissioner of the corporation.
 - The corporation does not pay rent for land use where there is an industrial operation.
 - The corporation does not pay rent for buildings used by the corporation but owned by the Bureau of Prisons.
 - The field locations of the corporation utilize personal services provided by the Bureau of Prisons such as legal counsel, personnel, financial and other services. These services are available through the Bureau of Prisons as needed.
- 2) Services and facilities provided to the Bureau of Prisons without recognition of revenue:
 - The Associate Commissioner of Federal Prison Industries, Inc. also serves as an Assistant Director of the Bureau of Prisons.
 - The Bureau of Prisons does not pay rent for buildings used by the Bureau of Prisons but owned by the corporation.
 - The corporation pays for positions in Central Office within the Bureau of Prisons for financial management, property management, personnel, safety, legal counsel and mail room services which provide joint service to each organization.
 - The corporation is responsible for the custodial care of inmates during their work day and employees are responsive to institutional emergencies under the direction of the warden.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the corporation's financial statements.

Statement Presentation - The financial statements include the accounts of the central office and the industrial facilities at 38 penal and correctional institutions. Inter-industry transactions, including corresponding profit or loss, have been eliminated in consolidation. Sales are to other government agencies or private contractors working on government contracts and are recorded at the time of shipment. Format changes were made to the Balance Sheet, Statements of Operations and Cumulative Results of Operations, and Changes in Financial Position. The statements now present more clearly the financial position of the corporation.

Plant and Equipment - Plant and equipment are capitalized at cost or appraised value and include expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs, and other minor renewals are expensed as incurred. When properties are disposed of through the General Services Administration, the related cost and accumulated depreciation are removed from the respective accounts with any loss on disposal charged against income. The straight-line method of depreciation is used for all depreciable assets. Rates of depreciation are generally based on the useful life guidelines established in the Revenue Procedures 62-61, issued by the Internal Revenue Service.

Inventories - Inventories are valued at the lower of cost or market. Raw materials and supplies inventory is valued using the moving average cost method. Work in process inventory includes material, labor, and applied overhead costs based on a standard for that operation. These costs are developed by using either process or job order cost systems.

Donated Property - Property donated to the corporation by other government agencies without exchange of funds is charged to the applicable asset account at fair market value.

Accounting Changes - Three changes were made to our accounting system during Fiscal Year 1982.

- 1) Machinery, equipment and buildings purchased for Vocational Training programs are now expensed as received. In prior years, such expenditures were charged to corporate asset accounts and depreciated as used.
- 2) Donated property appraised valuation is now recorded in the appropriate asset and equity accounts. As this property is used, there is both an expense and revenue charged on the Statement of Operations as well as accompanying charges reducing the applicable asset and equity accounts for the amount used. In prior years, donated property was only expensed as it was used or depreciated.

3) Disbursements in transit to U.S. Treasury at year-end are now recorded when vouchers are approved for payment by the corporation rather than the practice followed in previous years of recording disbursements only upon receipt of an approved voucher from the U.S. Treasury. The net effect was a reduction in cash and accounts payable of \$936,897 in Fiscal Year 1981 and \$1,543,290 in Fiscal Year 1982.

Pensions - Employees of the corporation are covered by the Civil Service Retirement and Disability Fund. Consequently, the corporation has the responsibility for withholding 7% (normal retirement) or 7 1/2% (hazardous retirement) of each employee's salary and for contributing a matching amount to the fund.

Note 2: ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due principally from government agencies and are all considered collectible. Accounts receivable from the public is merchandise paid for and returned to vendors for replacement or credit. Accounts that were 90 days or more overdue totaled \$924,272 (5%) as of September 30, 1982, as compared with the September 30, 1981 amount of \$1,600,028 (8%).

	<u>FY 1982</u>	(Unaudited) <u>FY 1981</u>
Government Agencies	\$ 18,823,213	\$ 19,448,297
Travel Advances	176,643	261,603
Public	<u>168,529</u>	<u>48,787</u>
Total	<u>\$ 19,168,385</u>	<u>\$ 19,758,687</u>

Note 3 EXCESS INVENTORY, NET

A temporary reclassification has been made to raw materials and finished goods inventories which has no immediate utility to the corporation. The total includes slow moving as well as excess inventory. The exact amount in each category could not be readily determined. Atlanta (\$2,443,812) and Terre Haute (\$1,006,295) possess the most significant levels of excess inventories. The following is a summary of excess inventory by Product Division and type of inventory. Net value of \$594,719 has been charged to Fiscal Year 1982 Income and an allowance established for obsolescence.

	<u>Raw Materials and Supplies</u>	<u>Finished Goods</u>	<u>Total</u>
Data Graphics	\$ 71,791	\$ 44,459	\$ 116,250
Electronics	635,923	-0-	635,923
Metals	90,014	8,014	98,028
Shoe/Brush	46,911	-0-	46,911
Textiles	2,300,372	1,153,459	3,453,831
Wood/Plastics	<u>330,769</u>	<u>16,852</u>	<u>347,621</u>
Total	<u>\$ 3,475,780</u>	<u>\$ 1,222,784</u>	<u>\$ 4,698,564</u>

Note 4: IDLE PLANT AND EQUIPMENT, NET

Idle plant and equipment are productive assets which have not been utilized for a significant period of time and for which there is no immediate use planned. The following is the value of Idle plant and equipment by Product Division.

	<u>Capitalized Value</u>		
	<u>Machinery and Equipment</u>	<u>Buildings and Improvements</u>	<u>Total</u>
Data/Graphics	\$ 31,077	\$ 405,966	\$ 437,043
Electronics	16,449	-0-	16,449
Metals	1,495	1,454,817	1,456,312
Shoe/Brush	531,122	-0-	531,122
Textile	2,892,467	-0-	2,892,467
Wood/Plastics	30,324	-0-	30,324
Total Capitalized Value	<u>3,502,934</u>	<u>1,860,783</u>	<u>5,363,717</u>
Less Accumulated Depreciation	<u>2,303,812</u>	<u>564,270</u>	<u>2,868,082</u>
Total Net Value	<u>\$ 1,199,122</u>	<u>\$ 1,296,513</u>	<u>\$ 2,495,635</u>

Note 5: COST OF GOODS AND SERVICES SOLD

These costs consist of direct material, direct inmate labor, and overhead charges related to finished goods sold during the year.

	1982	(Unaudited) 1981
Material	\$ 67,524,270	\$ 63,481,777
Labor	5,433,979	4,732,901
Overhead	40,645,254	34,525,263
Work In Process, Beginning	9,722,404	10,427,295
Less: Work In Process, Ending	<u>10,283,931</u>	<u>9,722,404</u>
Cost of Goods and Services Produced	113,041,976	103,444,832
Finished Goods, Beginning	9,269,676	8,495,871
Outside Purchases	876,611	1,332,358
Less: Finished Goods, Ending	<u>8,915,196</u>	<u>9,269,676</u>
Cost of Goods and Services Sold	<u>\$114,273,067</u>	<u>\$104,003,385</u>

Note 6: OTHER OPERATING INCOME, NET

The amount represents income derived from other than the regular operations of the corporation. Raw materials were sold to other government agencies at a value of \$657,917 with related costs of \$650,921 for a net income of \$6,996. Other sources such as scrap sales and write-offs of Government Bills of Lading provided \$295,882 for a total of \$302,878.

NOTE 7: OTHER EXPENSES

The amount, representing costs not charged to production, is presented on a comparative basis below:

	<u>1982</u>	(Unaudited) <u>1981</u>
Loss on Disposal of Personal Property	\$ 1,690,003	\$ 923,524
Personal Services Reimbursement	138,313	69,901
Loss on Disposal of Assets from Continuing Operations	884,289	135,174
Workmen's Compensation	72,000	38,300
Systems Development	246,874	312,973
Permanent Change of Station	244,284	202,470
Incentive Awards (Civilian Staff and Inmate)	60,647	33,721
Inmate Accident Compensation	244,968	165,791
Christmas Packages to Inmates	89,141	79,645
Pre-Industrial Inmate Training Programs	89,190	-0-
Sundry Expenses	884,990	842,714
Total Other Expenses	<u>\$ 4,644,699</u>	<u>\$ 2,804,213</u>

Note 8: PRODUCT DIVISION EXPENSES

Comparative division expenses and their relationship to sales are shown below:

	<u>1982</u>		(Unaudited) <u>1981</u>	
	<u>Cost</u>	<u>% of Sales</u>	<u>Cost</u>	<u>% of Sales</u>
Data/Graphics	\$ 586,453	6.1%	\$ 572,263	6.5%
Electronics	690,694	2.5	549,423	2.4
Metals	328,849	1.5	460,088	2.9
Shoe/Brush	267,426	0.9	198,808	1.3
Textile	536,871	1.4	430,628	0.9
Wood/Plastics	470,520	2.3	443,533	2.6
Total	<u>\$ 2,880,813</u>	<u>2.0%</u>	<u>\$ 2,654,743</u>	<u>2.1%</u>

Note 9: CORPORATE ADMINISTRATIVE EXPENSES

The corporate administrative expenses are those which cannot be directly identified to a product line. These expenses are in two categories; those subject to congressional limitation and those which are not. The latter represents depreciation expense on capital assets. The sharp increase in depreciation expense is largely due to the buildings at Marion which were carried at the corporate level this fiscal year. Shown below is a comparative analysis of Administrative Expenses:

	<u>1982</u>	(Unaudited) <u>1981</u>
Congressional Limitations	<u>\$ 2,417,000</u>	<u>\$ 2,192,000</u>
Civilian Salaries and Benefits	\$ 1,415,166	\$ 1,258,001
Travel	123,904	116,113
GAO Audit	120,000	-0-
DOJ Audit	259,948	249,280
Rent for Washington Office	81,707	64,498
Telephone	33,935	26,428
Printing and Reproduction	117,430	99,705
Freight	11,544	22,960
Other	<u>209,301</u>	<u>110,885</u>
Total Subject to Congressional Limitation.	2,372,935	1,947,870
ADD: Depreciation of Plant and Equipment	<u>78,159</u>	<u>21,134</u>
Total Administrative Expense	<u>\$ 2,451,094</u>	<u>\$ 1,969,004</u>

Note 10: NON-OPERATING EXPENSES

The corporation, as authorized in its charter, funds Inmate Vocational Training Programs and Inmate Performance Pay to provide for the training and employment of inmates in the institutions. The corporation's accumulated non-operating expenses for these programs since inception are:

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>
Inmate Vocational Training	\$ 74,451,637	\$ 3,140,419	\$ 77,592,056
Inmate Performance Pay	26,283,363	3,984,224	30,267,587
Total	<u>\$ 100,735,000</u>	<u>\$ 7,124,643</u>	<u>\$107,859,643</u>

Note 11: VOCATIONAL TRAINING EXPENSES

The inmate vocational training program expenses includes operational expenses for 11 institutions which are subject to Congressional limitation and expenses for machinery and equipment for those locations not subject to the limitation. Shown below is a comparative summary of vocational training expenses by account classification and institution.

<u>Vocational Training Expenses</u>	<u>1982</u>	(Unaudited) <u>1981</u>
Congressional Limitation	\$ <u>2,983,000</u>	\$ <u>2,824,000</u>
Civilian Salaries and Benefits	\$ 2,377,629	\$ 2,240,192
Travel and Transportation of Persons	27,750	31,886
Transportation of Things	11,054	15,219
Rent, Communication, Utilities	106,384	109,938
Printing and Reproduction	2,512	1,177
Other Services	160,614	191,690
Supplies and Materials	152,996	191,703
Total Subject To Congressional Limitation	<u>2,838,939</u>	<u>2,781,805</u>
Machinery and Equipment Purchased	301,480	140,229
Total Vocational Training Expenses	<u>\$ 3,140,419</u>	<u>\$ 2,922,034</u>

Vocational Training Expenses By Institution

	<u>1982</u>	(Unaudited) <u>1981</u>
Alderson	\$ 194,176	\$ 216,978
Allenwood	87,583	56,693
Ashland	442,255	469,127
El Reno	316,902	295,595
Lompoc	49,765	-0-
Milan	-0-	(8,369)
Morgantown	75,716	-0-
Otisville	12,493	-0-
Petersburg	279,156	259,966
Safford	156,664	130,544
Sandstone	354,822	307,320
Tallahassee	465,696	445,516
Terre Haute	250,734	263,879
Texarkana	162,688	185,657
Washington, D.C.	291,769	299,128
Total Vocational Training Expenses	<u>\$ 3,140,419</u>	<u>\$ 2,922,034</u>

Note 12: DISCONTINUED OPERATIONS

These losses from discontinued factory operations at the following locations include raw materials, machinery, equipment and building improvements.

	<u>FY 1982</u>	(Unaudited) <u>FY 1981</u>
Atlanta	\$ -0-	\$ 699,866
McNeill Island	-0-	98,867
Marion	368,331	366,897
Petersburg	127,371	-0-
Total	<u>\$ 495,702</u>	<u>\$1,165,630</u>

Note 13: EXTRAORDINARY ITEM

This amount represents raw materials lost in an Allenwood warehouse fire.

Note 14: PRIOR PERIOD ADJUSTMENTS

Shown below is a summary of those items of income or expense recognition relating to a period prior to Fiscal Year 1981 but not discovered until this year. All adjustments were made to the beginning Fiscal Year 1981 Cumulative Results of Operations.

- Workmen's Compensation charges to the corporation were over-assessed by the Department of Labor in prior years, resulting in a credit from the Department of Labor for \$450,649 and a reversal of prior accruals of \$113,234. The net effect was an increase to Cumulative Results of Operations and a decrease to Accounts Payable of \$563,883. \$ 563,883

 - Vocational Training Program machinery and equipment and buildings and improvements purchased by the corporation prior to Fiscal Year 1981 were removed from the corporation's asset accounts net of any depreciation. It was determined that the corporation did not have a need for or rights to these assets and their inclusion overstated the corporation's asset structure. The net effect was a reduction of Machinery and Equipment of \$410,731, a reduction of Buildings and Improvements of \$2,066,452, and a reduction in Cumulative Results of Operations of \$2,477,183. (2,477,183)

 - The value of donated property to the corporation that has been used or fully depreciated was removed from the U.S. Government Equity Account - Donated Property. It was determined that the accepted method of accounting for donated property required reduction of the Donated Property account rather than Cumulative Results of Operations. The net effect was a reduction of Donated Property and an increase to Cumulative Results of Operations of \$4,681,375. 4,681,375
- Total Prior Period Adjustments \$2,768,075

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