The Department of Justice Office of the Inspector General (OIG) today released an audit report on the management of Federal Prison Industries (FPI) and its efforts to create work opportunities for federal inmates. FPI, whose trade name is UNICOR, is a wholly owned government corporation and inmate reentry program, operated within the Federal Bureau of Prisons (BOP). As of June 2012, FPI operated 83 factories staffed by a federal inmate workforce producing a variety of products and services for federal agency customers, such as office furniture, military apparel, and vehicle repairs.

The OIG's audit found that FPI has struggled financially in recent years, reporting average net losses of $31 million annually from Fiscal Years (FY) 2009 through 2012 on average net sales of $753 million. FPI's employment figures have also dropped in recent years: as of June 2012, FPI employed 12,394 inmates, or only 7 percent of the total inmate population, its lowest level of inmate employment since 1986.

The OIG concluded that FPI's reduction in inmate employment is primarily the result of efforts to compensate for its declining revenues and earnings. FPI officials cited a combination of factors that had contributed to its financial struggles, including changes to the legal and policy framework in which FPI's businesses operate that altered FPI's status as the mandatory source for certain procurement actions by federal agencies. FPI officials also cited as contributing factors the winding down of the wars in Iraq and Afghanistan, the recent U.S. economic downturn, and substantial financial losses in key product lines. FPI implemented factory restructuring initiatives from FY 2009 through 2012 in an attempt to offset losses, reduce excess production capacity, and reduce staffing. These cost-reduction initiatives contributed to the loss of approximately 6,500 inmate jobs, or approximately one-third of FPI's total FY 2009 inmate workforce.

The OIG's audit further found that, in an effort to increase inmate employment, FPI implemented an inmate job-sharing initiative in 2010 intended to replace each inmate employed on a full-time basis with two inmates employed on a half-time basis. However, in part due to FPI's unclear performance metrics for this initiative, we were unable to gauge FPI's job-sharing progress over the past 2 years.

In addition, the OIG's audit found that FPI's longstanding goal of employing 25 percent of the total inmate population was no longer representative of current conditions, in part because of the rise in BOP's total inmate population. To have met that goal for June 2012, for example, FPI would have needed to provide work for over 44,000 inmates, roughly three times as many inmates as FPI actually employed at that time, and nearly double the highest employment level ever achieved by FPI.

Finally, the audit found that FPI's internal controls did not ensure that aliens who were ordered deported were removed from FPI employment as required. Specifically, we found that as of June 2012, FPI employed 37 inmates who were under a final order of deportation and therefore appeared to be ineligible for FPI employment under federal regulations. FPI officials informed us that once the OIG brought this issue to their attention, they immediately removed 35 of the 37 deportable inmates from FPI employment and, of the remaining two inmates, one claimed he had been misidentified and one had already ceased working at FPI.

The report released today made four recommendations to assist FPI in its efforts to maintain and create opportunities for inmates. The recommendations are unresolved, and the OIG will closely monitor BOP's actions in response to them.

The report can be found on the OIG's website at: http://www.justice.gov/oig/reports/2013/a1335.pdf.