



COLORADO
Department of Corrections
Office of Finance & Administration

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April 29, 2019

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman St., 7th Floor
Denver, CO 80203

Dear Auditor Ray:

In response to your request, we have prepared the attached status report on the implementation status of audit recommendations contained in the *Performance Audit of the Department of Corrections' Inmate Canteen and Banking Programs (June 2018)*. The report provides a brief explanation of the actions taken by the Department of Corrections to implement each recommendation.

If you have any questions about this status report and the Department's efforts to implement the audit recommendations, please contact Brad Duca at 719-269-4214 or bradley.duca@state.co.us.

Sincerely,

Brad Duca
DOC Controller



AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME	Performance Audit of the Inmate Canteen and Banking Programs
AUDIT NUMBER	1679P
AGENCY	Department of Corrections
DATE OF STATUS REPORT	April 29, 2019

SECTION I: SUMMARY

REC. NUMBER	AGENCY'S RESPONSE	ORIGINAL IMPLEMENTATION DATE	CURRENT IMPLEMENTATION STATUS	CURRENT IMPLEMENTATION DATE
1-a	Agree	July 1, 2018	Implemented	December 2018
1-b	Agree	January 1, 2019	Implemented	April 2019
2-a	Agree	January 1, 2019	Implemented	January 2019
2-b	Agree	January 1, 2019	Implemented	January 2019
3	Agree	August 1, 2018	Implemented	August 2018

SECTION II: NARRATIVE DETAIL

RECOMMENDATION 1-A

The Department of Corrections (Department) should improve its Canteen price setting practices by:

- a. Ensuring Canteen Services and the Canteen Review Committee have and use complete and accurate information regarding all costs of the Inmate Canteen Program, including all personnel, indirect, transportation and other related costs of the Canteen.

CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	December 2018
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AGENCY UPDATE

Complete and accurate information regarding all costs of the Inmate Canteen Program are now available for review and use. A Fiscal Year 2018 Canteen Annual Report financial statement review was completed during the December 2018 Canteen, Vending Machine, and Library Account Committee Meeting. In addition, a footnote has been added to the September 2018 and all subsequent Profit and Loss statements, prepared by the Correctional Industries Financial Manager, to inform readers that only operational revenues and expenditures are presented which do not include other related costs such as offender benefit expenditures.

RECOMMENDATION 1-B

The Department of Corrections (Department) should improve its Canteen price setting practices by:

- b. Implementing written policies on pricing Canteen items that specify: (1) an overall profitability target to inform pricing; (2) the standard item markups, including the factors for when standard markups should not apply; (3) what documentation should be maintained for all Canteen merchandise, such as the product cost, markup percentage, and resale price; and (4) a regular review schedule to ensure that pricing consistently adheres to the policies and that the data used to establish prices are complete and accurate.

CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	April 2019
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AGENCY UPDATE

The Department has updated policy to determine overall Canteen product profitability targets to establish reasonable pricing. In addition, policy was updated to document retention procedures for required information, as well as an annual procedure for reviewing product markups, markup modifications, and completing Canteen item price comparisons.

RECOMMENDATION 2-A

The Department of Corrections should improve its procurement practices for the Canteen by:

- a. Preparing a written determination that sets out sufficient facts, circumstances, and reasoning to substantiate its decision to exclude Canteen purchases for resale from the Procurement Code, as required.

CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	January 2019
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AGENCY UPDATE

The Department's Associate Director of Procurement completed a written determination to substantiate excluding Canteen purchases for resale from the Procurement Code. In addition, the Department updated policy regarding Canteen resale items.

RECOMMENDATION 2-B

The Department of Corrections should improve its procurement practices for the Canteen by:

- b. Developing and implementing written policies and procedures for selecting vendors for Canteen merchandise. At a minimum, the policies and procedures should provide direction on: (1) the type and amount of information to be collected regarding price, quality, availability, and security issues from all potential vendors; (2) weighing each of the factors, including under what circumstances, if any, one or more of the factors may not need to be considered; (3) how long a vendor can continue to be used without reassessing the factors against other possible vendors; and (4) what documentation must be maintained to support vendor evaluation and selection decisions.

CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	January 2019
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AGENCY UPDATE

The Department implemented all aspects of this recommendation through numerous policy updates which include policies and procedures for selecting Canteen merchandise vendors. These updates include processes for obtaining and assessing information during the competitive bid process about price, quality, availability and product security concerns; a bid evaluation form and the specific evaluation factors that evaluation committee members should consider when deciding to pass/fail each item under bid; the reassessment process for all vendors; and required documentation to keep in support of the evaluation and selection process.

RECOMMENDATION 3

The Department of Corrections (Department) should ensure compliance with the statutory requirement to use Inmate Canteen Program profits for the educational, recreational, and social benefit of the inmates and to supplement direct inmate needs by developing a policy for the use of the Canteen, Vending Machine, and Library Account funds that: (1) establishes a process for developing recommendations for the use of Canteen Account funds that account for the availability of General Fund or other revenue and specify whether Canteen funds should be spent or accumulated to increase the Canteen Account fund balance; (2) defines a target fund balance that should be maintained and the purpose of maintaining the target amount; and (3) conveys a spending plan to executive management for budgeting purposes.

CURRENT
IMPLEMENTATION
STATUS

Implemented

CURRENT
IMPLEMENTATION
DATE

August 2018

AGENCY UPDATE

The Department implemented all aspects of this recommendation by updating Department policy. The policy establishes a process for the Canteen, Vending Machine, and Library Account Committee to review facility offender benefit project requests to determine if Canteen Account funds can be used. The process takes into account the availability of General Funds or other funds, and whether Canteen Account funds should be spent or accumulated. Policy was also updated to define and document the purpose of maintaining a target fund balance, and going forward, the Committee will annually develop both a short-term and 5-year plan for use of the balance and the accumulation of funds in the Canteen Account, and communicate its plan for the target fund balance with executive management and the Budget Office. Additional updates to policy were implemented to develop, maintain, and communicate spending plans to executive management and the budget office.