

2010-118 AUDIT SCOPE AND OBJECTIVES—California Prison Industry Authority

The audit by the Bureau of State Audits will provide independently developed and verified information related to the California Prison Industry Authority (PIA) and would include, but not be limited to, the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Review PIA's overall strategic plan, including goals, objectives, and its performance measures. At a minimum, determine the following:
 - (a) Whether its goals and objectives are in line with laws and regulations and with the intent of the Legislature in creating the PIA.
 - (b) If the goals consider all relevant aspects of running an effective and efficient organization, including but not limited to, reducing or controlling costs, reducing the California Department of Corrections and Rehabilitation's (Corrections) costs, procurement and reselling, and inmate employability and training.
 - (c) If the performance measures focus on outcomes that are measurable and appropriate given the mission, goals, and objectives.
 - (d) Whether the methods used to gather data to track performance generate effective and accurate data for measuring performance.
 - (e) Assess status of PIA in meeting its goals.
 - (f) If obstacles exist for the PIA to carry out its mission.
3. Review how the inmates are selected into the program and how the PIA determines the inmates' training needs. Examine the type of training the inmates receive through their work at the PIA and assess whether the training has resulted in inmates obtaining employment upon release.
4. Review any post-employment data gathered by the PIA and assess its validity, relevance, and accuracy to determine whether it supports or refutes the PIA's assertions about its performance in job training leading to employment and reducing recidivism.

5. Review the PIA's policies and practices for how it administers the inmate work program. At a minimum, determine if the PIA's practices for the following are effective, efficient, and consider relevant information:
 - (a) Conducting market analysis for product selection.
 - (b) Price setting practices, including identifying all relevant costs in setting prices for goods or services.
 - (c) Coordinating with Corrections when employing inmates, transporting inmates to and from work, and reducing costs.
6. Determine if the PIA utilizes appropriate management tools such as cost-accounting systems, and considers all relevant factors in evaluating its performance.
7. Determine if PIA performs periodic analyses of its price setting practices to identify and ensure that any cost efficiencies it achieves are passed on to its customers. If so, review and assess the accuracy and reasonableness of such analyses.
8. Determine which products are sold most often. Select a sample of PIA's higher selling products and compare the cost, price, profit margin, and, to the extent possible, their quality with similar products from the private sector and other state correctional industries.
9. Review the PIA's sales and revenue to identify its main sources of revenue and customers. Using the results of #7 and to the extent possible, determine to what degree PIA's top five customers (including Corrections) paid a higher amount for products when compared to the market value.
10. If PIA has performed an analysis of the costs it saves Corrections by allowing inmates the opportunity to perform PIA work, determine the accuracy and reasonableness of the analysis. If PIA has not performed an analysis, to the extent possible, determine how much Corrections has saved by employing inmates in the PIA work program.