



**DEPARTMENT OF CORRECTIONS  
Business & Finance**



<b>Title:</b>	<b>Inmate Revenue Generating Activities</b>	<b>DOC Policy: 30.1.6</b>
<b>Effective:</b>	<b>4/5/13</b>	<b>Supersedes: N/A</b>
<b>Applicability:</b>	<b>Fiscal Services and Institutions</b>	
<b>Directives Cross-Reference:</b>	<b>Oregon Accounting Manual  Assessment, Assignment of Inmates for Work Assignments - Div 082  Code on Conduct – 20.1.3  Checks, Warrants, and Vouchers – 30.1.2</b>	
<b>Attachments:</b>	<b>None</b>	

**I. PURPOSE**

To provide the employees of the Oregon Department of Corrections with a clear understanding of the department's expectations for various activities where inmates are producing or selling goods to generate money. To establish processes and procedures to direct staff on how to appropriately manage various fundraising activities with standardized business practices.

**II. DEFINITIONS**

- A. Accounting: A central work unit of General Services Division that records all financial transactions and is the custodian of ODOC's fiscal records.
- B. Appreciation Recognition: An event recognizing a significant accomplishment or yearly contribution by inmates, either collectively or as individuals.
- C. Business Services Unit: The work unit of General Services Division that places employees in larger institutions to provide satellite accounting and other fiscal services. Business Services employees are the liaison between the Operations Division and Fiscal Services Unit and provide advice and support for a variety of fiscal activities.
- D. Cash Balance: The net of cash received and cash paid out.
- E. Cottage Industry or Cottage Program: An inmate work program that uses inmate labor to produce goods or services sold to an outside entity.
- F. Creative Arts Program: An inmate work program where inmates use artistic talents to create unique goods for sale to the public. Inmates earn PRAS points and all proceeds go to the program. This type of program is different from a hobby shop in that inmates do not own the supplies or keep the proceeds from sales. Prices are set by the program supervisors. Examples include the creation and sale of greeting cards and wood crafts.
- G. Community Contribution Program: A program in which inmates may produce handcraft items for donation (materials must be purchased by organization and provided to the institution, inmate labor donated) to various charitable organizations as selected by the functional unit manager or designee.
- H. Donation from DOC: A good, service, supply or equipment given to an entity other than the ODOC free of charge by the DOC.
- I. Donation to DOC: A good, service, supply or equipment given to the DOC free of charge by an entity other than the DOC. Use of these donations is entirely up to the discretion of the DOC and must be set forth in writing before delivery of the good, service or equipment.

- J. Expense: Something, frequently money, expended to secure a benefit or bring about a result.
- K. Food Program: An inmate work program that prepares and sells food. The food products may be sold on canteen to inmates, sold to other DOC entities via internal billing requests or sold to outside entities. Examples of food sold to inmates include bakery goods and oatmeal made available on canteen. Bakery goods, tortillas, luncheon buffets for meetings. These programs are not to be confused with inmate work assignments in Food Services that support the daily delivery of approved meals to the inmate population.
- L. Functional Unit Manager (FUM): Any person within the Department of Corrections who reports to the Director, an Assistant Director or an Administrator and has responsibility for the delivery of program services or coordination of program operations. In a correctional facility, the functional unit manager is the superintendent.
- M. Fund Raiser: Events, goods or services approved by the superintendent to be purchased by inmates, staff or others, wherein the proceeds, after covering associated expenses are used to benefit a pre-approved cause.
- N. Graduation: A ceremony marking the successful completion of a training, education, personal growth or other program.
- O. Inmate Work Program: The system used by the DOC to categorize all approved inmate work assignments or any subset thereof. Work assignments may support daily institution operations or exist in programs supporting partnerships with other jurisdictions, agencies or private parties.
- P. Incentive Program: A system of activities, special events or canteen purchases that together are meant to motivate inmates to better behavior and program compliance. Inmates are assigned incentive levels based on behavior and successful efforts in satisfying the conditions of their corrections plans. To be eligible for some activities, events, or purchases, inmates must be at or above a given incentive level.
- Q. Outside Food: Food prepared by a licensed food service establishment other than Oregon Department of Corrections. This includes food prepared by or sold by a licensed commercial vendor.
- S. Proceeds: Revenues minus expenses.
- T. Revenue: Money generated from the sale of goods or services.
- U. Superintendent: The functional unit manager within a correctional facility.
- V. Work Section Manager / Supervisor: A manager responsible for one or more specific functions within a DOC facility or functional unit.

### III. POLICY

It is the policy of the Department of Corrections to conduct transactions of other fund programs in full compliance with standard business practices, the Oregon Accounting Manual (OAM), DOC policy on **Code of Conduct** 20.1.2, Oregon Constitution and any applicable federal or state laws. All other fund programs that include activities where staff and inmates are producing and/or selling goods to generate money will comply with direction set forth by the Director.

- A. The Oregon Constitution, Article 41 (10), provides that the products and services of corrections work programs shall be provided on such terms as are set by the Department of Corrections Director.
- B. The Constitution provides the agency should avoid establishing or expanding for-profit work programs that displace or significantly reduce pre-existing private enterprise or government or non-profit programs that employ persons with developmental disabilities.

- C. The decision to establish, maintain, expand, reduce or terminate any prison work program remains in the sole discretion of the Department of Corrections Director. (Therefore, any time the agency creates an exception to the above they will work with state industry associations on a compromise).
- D. The Constitution requires state agencies to use inmate labor when it saves the state money, therefore the agency's inmate work programs focus on providing services to other agencies that require labor.

#### IV. INMATE WORK PROGRAMS (Money flows through Cost Centers)

##### A. Cottage Industries:

Cottage Industries are considered inmate work programs. Inmate work crews are also considered inmate work programs and their operations are governed by the rule on **Assessment, Assignment, and Supervision of Inmates for Work Assignments and Unfenced Minimum Housing** (OAR 291-082).

1. Program Development: A business plan must be completed and approved by the functional unit manager (FUM) and fiscal services administrator before starting a new program. A business plan template is available on the U:// drive. The following guidelines, considerations and requirements will be used to determine if a new program is viable:
  - a) Potential liability, specialized inmate labor training, product safety.
  - b) Whether the industry will operate on a cash payment basis or require a contract for each customer.
  - c) A contract is needed for the following:
    - (1) Recurring activity with the same customer
    - (2) Public entity
    - (3) Sales per year over \$1,000.
    - (4) Agreements that span more than six months.
    - (5) Goods sold through a private retailer
  - d) A contract is NOT needed for the following:
    - (1) Internal sales to other DOC work units. *This is accomplished by filling out the journal entry paperwork and submitting to accounting.*
    - (2) Inmate activities (fund raisers, incentive events, etc) *See Section V; subsection (A) Fundraisers of this policy for details.*
    - (3) Goods sold at public events (Sumpter days, public markets, etc) *See section IV; subsection (C) Creative Arts/Crafts Program (2)(c)(5).*
    - (4) Goods sold to staff. *All provisions of section IV; subsection (C) apply to staff as well as outside customers.*
  - e) If general fund (tax dollars) dollars are used as seed money:
    - (1) Any new program must be self-supporting within three months on a current month basis.
    - (2) All general fund resources must be repaid within six months, unless the program is given approval for an extension of a prearranged period of time by the FUM and fiscal services administrator.

- (3) An accounts receivable will be set up to ensure repayment of general fund dollars.

## 2. Records Management

- a) Quick Books must be used for record keeping of cottage industries. Invoicing is the sole function of the Central Accounting Unit. Staff shall not generate invoices using Quick Books.
- b) Net Income generated from cottage industries must be available to the program that generated those funds first before support is given to a different inmate work program (IWP) at the same facility. Funds generated from these activities should remain within the functional unit where the funds were generated.
- c) At the discretion of the Assistant Director responsible for the program, funds generated may be transferred to another functional unit.
- d) Records must be maintained for audit purposes in accordance with records retention policies and the Secretary of State's retention schedule.
- e) Records must be maintained by DOC staff, contractors, or inmate clerical support with staff supervision
- f) Ultimate responsibility for completeness and accuracy of record keeping lies with the manager of the program area operating the industry.
- g) Costs should be reviewed for accuracy and updated yearly as necessary. This may include amending contracts with outside customers.
- h) Quick books transactions will be reconciled with AFAMIS/SFMS on a monthly basis, with reconciliation reports printed and stored for audit purposes.

## B. Food Programs

1. Outside Food Program: Food sold to outside entities (Examples: meals sold to jails, schools, or senior meals or sales of bread)
  - a) Staff shall take steps to ensure compliance with federal, county and local regulations controlling the sale of food. Examples: USDA, State and County Health Departments and the Oregon Department of Agriculture.
  - b) Food programs, including proportionate staff time, must be self-supporting within three months of startup on a current month basis unless the program is given approval to continue for a specific period of time by the FUM and the food services administrator.
  - c) Items prepared for outside sale must be billed using department invoice request forms on a monthly basis. An invoice request form may contain multiple line items for different food products.
  - d) Food sold under this program model should include a contract with the purchaser.
  - e) Any funds borrowed from the general fund (tax dollars) for staff time or raw materials must be repaid within six months or no later than the end of the biennium out of other funds.
  - f) On-going expenses for food, staff salaries, and inmate labor purchased with general funds must be reimbursed to general fund cost centers quarterly. Records for food supplies, salary expenses and inmate labor costs must be maintained within Quick Books on a monthly basis to form support for quarterly transfer requests.

- g) Staff time and inmate labor may be estimated to arrive at an amount for general fund reimbursement; however, it should be a reasonable proportion of total staff and inmate labor and should be applied consistently.
  - h) Proceeds from outside food programs are considered an inmate work program activity. Net revenue can only be used to support the existing program or other inmate work programs. It is recommended food service IWP programs have their own cost center in the institution IWP fund separate from other IWP classes of activity, such as work crews or creative arts programs.
  - i) Markup for outside food programs should be cost plus 20%, unless the food service manager involved can justify higher costs to their functional unit manager and food services administrator. Documentation supporting pricing must be kept for audit purposes. This includes customer quotes, food receipts, copies of journal entries and invoice requests.
  - j) Costs should be reviewed for accuracy and updated yearly as necessary.
  - k) Past and current formulas for calculating cost of meals and overhead must be maintained as part of the program's permanent records.
  - l) Quick books transactions will be reconciled with AFAMIS on a monthly basis with all reports printed and stored for audit purposes.
2. Inside Food Program: Food sold for internal meetings and activities (cookies, cinnamon rolls, fruit platters, banquets, sandwich platters, coffee and/or beverage service, tortilla program, bread programs).
- a) Supplies purchased with general funds for food that is re-sold must be reimbursed to the general fund food cost centers quarterly using a Journal Entry Request form.
  - b) All food provided for internal activities must be documented on a Banquet Request form.
  - c) Invoices for food sold internally will be submitted monthly through the institution Business Office. The Business Office will charge the cost center listed on the event form accordingly.
  - d) Proceeds from food sales for internal activities will be recorded in an Other Funds cost center within the institution's Administrative Other Fund. Proceeds must be recorded in a cost center separate from other Administrative activities, such as fines, meal tickets, etc.
  - e) Generally, products sold under this model do not require a contract.
  - f) It is a conflict of interest for Food Service managers to cater meals or events and charge DOC as if they were a vendor.
  - g) Cost of food supplies and inmate labor costs plus 20% should be the guideline for pricing food sold for internal meetings and activities. Unless on going staff labor costs are a significant factor in the production of the product, these are not required to be included in item pricing.
  - h) Requests for food for internal meetings should be made with adequate time for Food Services to accommodate such requests.
  - i) The food services manager in conjunction with the FUM has the option to decline to provide food for an event, in which case, the event planner has the option to use an outside vendor to provide needed food.

- j) If outside food is brought in for an internal event, event planners need to consult the food service manager to ensure proper sanitation and storage as the event planner is responsible for the safety and sanitation of the outside food.
3. Commissary Program: Food sold on canteen for inmate purchase (oatmeal, farina, baked goods). Prior to the implementation of any new program that could have the appearance of competing with commissary must be reviewed and approved by the Assistant Director of Operations.
- a) Markup for food sold on inmate commissary such as oatmeal, farina and baked goods should not exceed 50%.
  - b) Items prepared for sale on inmate commissary must be billed using invoice request forms on a monthly basis. An invoice request form may contain multiple line items for different food products.
  - c) Supplies purchased with general funds for food that is re-sold must be reimbursed to general fund food cost centers quarterly.

### **C. Creative Arts/Crafts Program**

Programs that include, but are not limited to, wood working, metal creations, car restoration, cards, greenhouse products, photography etc.

#### 1. Definitions:

- a) Customer: Any person or organization soliciting an arrangement of services that can or may be provided by a creative products program.
- b) Custom order: Items produced by a creative products program which are not listed in the catalog.
- c) Product: Item listed for sale in the creative arts catalog or standard list of items.
- d) Value Based Pricing: Actual cost of materials + actual inmate labor cost (average PRAS cost for unit doing the work) + 20%. Unless on going staff labor costs are a significant factor in the production of the product, these are not required to be included in item pricing.

NOTE: Federal law restricts inter-state sale of inmate produced items, unless inmates are paid a fair- market wage.

#### 2. General Order Procedures

- a) Catalog:
  - (1) All products offered for sale to the public and employees must be listed in a creative arts program catalog or list of standard products. The catalog will provide information describing the product, its availability, its designated price and any options that are available.
  - (2) Choices are limited to what is listed in the catalog. Any deviation from the catalog is considered a custom order. Custom orders are available only after approval by the creative arts supervisor.
  - (3) Customers may have the option to view the product catalog via a webpage.
- b) Orders:
  - (1) All customers must go through the business office with a completed order form and cash or a money order during regular business hours. Upon receipt of payment, the Business Services Office (BSO) or designee will issue a serially numbered receipt to the customer. The creative arts order

form will be marked "PAID" and a copy of the form will be scanned to the creative arts supervisor. This copy will be used as an order fulfillment request form. If there is a delay in fulfillment (i.e., the item is not in stock), the customer will be contacted.

- (2) When purchasing a creative arts product, customers must either pay the accounting technician in the Business Services Office or the staff that manage meal ticket sales.
- (3) Some items, due to their size and/or complexity, will not be kept in inventory and will only be assembled upon receipt of the paid order. The creative arts catalog will provide approximate assembly times.
- (4) The creative arts supervisor will determine when the item will be available and will contact the customer to arrange for pick-up.

c) Standards and Protocols:

- (1) Customers shall not engage in conversations with shop supervisors concerning projects unless otherwise approved by the creative arts supervisor. Customers shall not engage in conversations with inmates concerning projects, price or enter into any kind of business arrangement.
- (2) If attempts are made to circumvent these procedures, the customer's purchasing abilities may be suspended for an indefinite period of time and, in the case of DOC employees, also may include discipline, which will be determined by institution administration.
- (3) Goods and services must be readily available to the public.
- (4) Staff must have beginning inventory and beginning cash itemized prior to start of sale for reconciliation at the conclusion of the sale.
- (5) If sales are made during non-business days (such as a weekend flea market or other public sales event), all proceeds and receipts must be brought to the Business Services Office or designee at the start of the next business day for reconciliation. All sales involving cash must be in accordance with Oregon Accounting Manual rule 10.20.00
- (6) An inmate who is within 30 days of release (no earlier than 30 days and no later than within 7 days) may purchase products to be included in his property at release by forwarding a completed order form, and a verified CD-28 form to the Business Services Office or designee. The creative arts supervisor will deliver item(s) to the receiving and discharge area the day prior to release.
- (7) Outside organizations shall pay full value based pricing on all items purchased from a creative arts program.
- (8) The creative arts programs will not replicate or reproduce any images or items that are deemed to be trademarked, registered or the protected property of others.

3. Cottage Industry Program Orders: The cottage industries program may enter into a sales agreement with community groups, non-profit organizations or government agencies to provide products which are not listed in the product catalog, or may modify products in the catalog, for the benefit of the larger community as long as the price is not lower than the cost to produce them.

4. Custom Order Procedure:

- a) Product Development:
  - (1) The customer completes an order form and attaches supporting documentation; e.g. drawings, pictures, blueprints etc.
  - (2) The customer submits the completed order form to creative arts supervisor for review and approval.
  - (3) The creative arts supervisor reviews, with appropriate shop supervisor, the feasibility of the project.
- b) Order Approval/Denial:
  - (1) The creative arts supervisor approves or denies the request.
  - (a) Denies: Upon denial, the request form is marked, a brief explanation is provided, the form is returned to the customer, and a copy retained on file.
  - (b) Approves: Upon approval, a unique tracking number is assigned, and an estimate is provided for the customer. The estimate shall be value based pricing, taking into consideration market fluctuation of pricing for needed materials. (Quick Books has this function available)
    - (i) If the estimate is accepted, a 50% deposit of the estimate price shall be paid to the Business Services Office. The BSO will provide the customer with a serially numbered receipt and notify the creative arts supervisor the deposit has been received. All deposits are non-refundable.
    - (ii) Notification of payment will indicate that the creative arts program may begin working on the project. NOTE: The materials for the project will not be ordered until notification of payment is received.
    - (iii) If there are any deviations from the original price quote prior to or during production, the customer will be notified and must approve (preferably in writing) prior to changes being made, so that they are aware of the increase in price.
- c) Order Payment:
  - (1) At the completion of the project, the customer is notified and given the final price. The final price will be calculated using value based pricing.
  - (2) The creative arts supervisor has discretion to fluctuate product pricing based on special considerations – to include large quantity orders, community projects, non-profit organizations, or donations of materials, as long as the price is not lower than the cost to produce the item. Staff members shall not receive reduced pricing for individual purchases. However, they may request a lower cost when representing one of the groups referenced above.
  - (3) The customer will submit payment of the remaining balance to the Business Services Office and be issued a receipt for payment in full.
- d) Order Pick Up
  - (1) The customer will bring the receipt to the creative arts location where a copy will be made and the completed project delivered to the customer.
  - (2) All custom ordered items are to be picked up within 60 days of notification of completion. All items not picked up will be sold on a first come, first serve basis and value based pricing must be used.

## V. ACTIVITIES (Money flows through Trust)

**A. Fund Raisers:** These activities are intended to generate funds for community causes, inmate activities, or specific purchases to support inmate quality of life. Revenue generated through fund raising activities should provide monies to benefit the general inmate population and enhance inmate activities and programs.

1. Fund raisers should not be used to generate funds to offset security, food, clothing, staff office supplies, medical or mental health care expenses or any other routine general fund expenses.
2. Institutions should maintain a separate club trust account or other fund cost center within the administrative other fund for specific fund raising purposes if the activity will be on-going. If the activity is one-time event, staff shall use the administration other funds cost center in AFAMIS or activities account in Central Trust.
3. The functional unit manager is responsible for ensuring funds generated are used for appropriate expenditures.
4. Fund Raising Procedures:
  - a) General Procedures:
    - (1) Institutions must include all operational areas in the approval process for inmate events (Business Services, Security, Religious Services, Transitional Services, Food Services, Administration, etc.)
    - (2) Final approval for fund raisers must be authorized by the FUM.
    - (3) The authorizing entity will assume the cost of security or preparation overtime associated with events, whether it is in the food service area or elsewhere in the institution.
    - (4) Institutions are encouraged to maintain a central institution activity calendar to avoid over-scheduling.
    - (5) Markup for fund raisers should not exceed 100% over the cost to produce or purchase the item.
  - b) Food Purchases:
    - (1) Institutions are required to consult with the FUM or designee to recommend appropriate serving sizes and amounts of food ordered or purchased from outside sources.
    - (2) Institutions are encouraged to develop a system for tracking approved CD28's in order to present a guaranteed number to the outside food vendor to limit waste or over purchasing.
    - (3) Food left over from an event is the responsibility of the entity sponsoring the event. If there is significant left-over food, items may be donated to the institution for general consumption, with the functional unit manager's or designee's approval. If the food product is suitable for donation to a local food bank, the entity will be required to obtain a receipt for the donation. The receipt should be kept by the entity according to the department's retention schedule.
  - c) Standards and Protocols:
    - (1) It is acceptable to use a SPOTS card to purchase ingredients to prepare a fundraiser meal.

- (i) If outside food (from a restaurant) is purchased for an inmate fundraiser or incentive meal, it must be approved in advance of the purchase by the Central Accounting Unit.
  - (ii) Central Accounting must lift any restrictions on the SPOTS card system. The approval is good for only a one-time use.
  - (iii) Any purchases by a SPOTS card must be reimbursed by the trust or club account that benefited from the fundraiser.
- (2) All "outside" purchases require a second person to verify that the receipt and the items received match. The receipt then must be provided to accounting for SPOTS card reconciliation.
  - (3) DOC employees or contractors may not function as an independent vendor to cater events.
- d) Accounting:
- (1) All inmate fund raisers must use CD-28's for collection of fees.
  - (2) All expenditures must be reimbursed from proceeds from the event within 30 days.
  - (3) A request for funds transfer from a Central Trust account is completed by using an Administrative Check Request CD-28a.
  - (4) The check will be deposited to the appropriate other fund cost center as revenue.
  - (5) After the revenue has been transferred, all expense from the general fund must be moved via the journal entry process to clear the transaction in the other fund cost center where the revenue was deposited within 30 days.
- e) All of these steps must be completed in order to adhere to an audit standard.
- f) Staff should contact the business office or Central Accounting Unit for any questions regarding the above process.

## B. Inmate Clubs

1. Inmate club trust accounts will not be allowed to run a deficit. Staff sponsoring club activities must monitor events to ensure inmates who participate have adequate funds available.
2. All disbursement of club funds must be made in accordance with the department policy on **Check, Warrants, and Vouchers** 30.1.2.
3. Inmate clubs may own memberships to discount stores.
  - a) Staff cannot use club membership cards for personal use.
  - b) Memberships must be set up using an Administrative Check Request CD-28a from the club account initiating the request.
  - c) Memberships must be established using the institution and club name and cannot include any staff member on the account. (e.g. OSP Lakota Club)
  - d) The membership card must be kept under lock and key by the functional unit manager or designee.
  - e) Cash rebates must be deposited into the club trust account (i.e. rebate checks).

- f) Any remaining monies from a withdrawal to purchase products must be placed back into the account the next business day.
- 4. Institutions are encouraged to maintain separate club trust accounts for each club to maintain financial integrity provided that it has enough activity to warrant a separate account.

**C. Other Activities**

- 1. Community Causes:
  - a) Funds should be contributed by CD-28 and maintained in an appropriate trust account, such as a club or activity trust account.
  - b) Funds should be disbursed to the receiving entity using the Administrative Check Request CD-28a.
- 2. Inmate Recognition:
- 3. Graduations, Parenting Class, Pathfinders, ABE/GED, etc.:
  - a) Food for these types of events should be limited to light meals or refreshments. (Sandwich trays, cookies, etc.)
  - b) Reimbursement to Food Services for these activities must be made by journal entry request form or invoice request form.
- 4. Appreciation Recognition:
  - a) Full meals are allowed, at the discretion of the functional unit manager or designee
  - b) If general fund is used to pay for appreciation recognition events, it must be authorized by Assistant Director of the sponsoring division.
  - c) If other fund is used to pay for appreciation recognition events it must be authorized by the functional unit manager or designee.

**VI. IMPLEMENTATION**

This policy will be adopted immediately without further modification.

Certified: signature on file  
Birdie Worley, Rules Coordinator

Approved: signature on file  
Mitch Morrow, Deputy Director