



# Audit of the Federal Bureau of Prisons' Inmate Financial Responsibility Program



AUDIT DIVISION

24-089

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# EXECUTIVE SUMMARY

## Audit of the Federal Bureau of Prisons' Inmate Financial Responsibility Program

### Objectives

The objectives of this audit were to examine the Federal Bureau of Prisons' (BOP) administration of the Inmate Financial Responsibility Program (IFRP) and assess the IFRP's controls over inmate payments to satisfy court-ordered obligations.

### Results in Brief

Administered by the BOP since 1987, the primary purpose of the IFRP is to encourage federal inmates in BOP custody to pay court-ordered financial obligations. However, the federal regulations that currently govern the IFRP make participation in the program voluntary and contain some ambiguity regarding the use of certain inmate funds. Consequently, the BOP has been limited in its ability to mandate payments from inmates commensurate with available inmate resources. Prompted by two memoranda from the Deputy Attorney General directing the BOP to take steps to prevent inmates from avoiding payments toward obligations such as court-ordered restitution to victims, the BOP proposed changes to the regulations. In coordination with the Department of Justice, as of October 2023 the BOP was in the process of reviewing approximately 1,300 public comments that it had received on the proposed revisions. We believe that making necessary changes to the existing regulations could help bring more clarity to the BOP's efforts to implement the program. We also believe the BOP can improve its current administration of the IFRP, especially as it relates to maintaining adequate records of inmate deposits and documented justifications for deviations from IFRP-calculated payments.

### Recommendations

Our report contains two recommendations for the BOP that we believe will assist in its efforts to effectively administer the IFRP. The BOP concurred with the recommendations in its response to a draft of this report, which is included in Appendix 2 of this report.

### Audit Results

A convicted offender may be ordered by the court to pay: (1) special assessments, (2) restitution, and (3) fines and court costs. In addition, the inmate may be responsible for repaying other obligations such as: (4) state or local court obligations such as child support or alimony; and (5) other federal government obligations such as student loans and tax liens. Through the IFRP, an inmate can work with BOP staff to develop a payment plan to satisfy their financial obligations. However, because the program is voluntary and the controlling federal regulations contain ambiguity, BOP's ability to mandate payments and payment amounts from inmates commensurate with available inmate resources is limited.

#### BOP Proposed Rule Changes to Update Current Regulations

To address some of the constraints imposed by the current federal regulations, in January 2023, the BOP proposed rule changes to the regulations governing the IFRP. For example, under the current regulations some inmates who participate in the IFRP are only required to pay the minimum payment amount of \$25 every 3 months, despite having the financial means to pay more. This is due to ambiguity in the regulations related to funds received by inmates in excess of earnings within the BOP system. We believe the BOP needs to work to complete the rule change process to better enable the BOP to assist inmates in developing payment plans to meet their financial obligations.

#### BOP's Process for Documenting the Rationale for IFRP Payment Plans Can Be Improved

We identified instances of inmate files lacking total deposit information and documented reasons for accepting lower-than-calculated payment amounts. We believe requiring inmate IFRP files to contain this information will better ensure fair and consistent administration of the IFRP.

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# Introduction

In federal court, a convicted offender may be ordered to make certain monetary payments as part of their sentence. The Judgment and Commitment (J&C) Order is the official written record of the defendant's conviction and the court's sentence, and if applicable, details the types of court-ordered financial obligations the convicted offender owes and may, in certain circumstances, outline a specific payment plan for those debts. Financial obligations that may be ordered by a federal court include: (1) special assessments imposed under 18 U.S.C. § 3013,<sup>1</sup> (2) court-ordered restitution to reimburse victims for financial losses incurred due to the offender's crime, and (3) fines and court costs. In addition, the inmate may be responsible for repaying other obligations such as: (4) state or local court obligations such as child support or alimony, and (5) other federal government obligations such as student loans and tax liens.<sup>2</sup>

For convicted offenders who are sentenced to a term of imprisonment, once designated to and received at a Federal Bureau of Prisons (BOP) institution, the convicted offender formally becomes an inmate in the BOP system and is assigned to a group of BOP staff members known as a unit team. A unit team consists of, at a minimum, a unit manager, a case manager, and a correctional counselor. The unit manager heads the team and is responsible for, among other duties, planning, implementing, supervising, and coordinating the inmate's participation in BOP programs tailored to meet the needs of inmates in the unit. According to the BOP's Unit Management Manual, the unit team's mission is to determine inmate program needs and monitor participation to encourage behaviors that benefit staff, inmates, victims, and society.

## Inmate Financial Responsibility Program—Overview and Administration

One of the programs for which inmate participation is overseen by the unit team is the Inmate Financial Responsibility Program (IFRP). The IFRP is a voluntary program that the BOP has operated since 1987. The purpose of the IFRP is twofold: to encourage federal inmates in BOP facilities to pay court-ordered financial obligations and to support inmates in developing financial planning skills. The BOP's IFRP Program Statement, which parallels the applicable federal regulations and was last updated in August 2005, is the central policy governing the BOP's administration of the IFRP.<sup>3</sup>

According to data provided by the BOP, as of November 2023, there were 156,979 inmates in BOP custody. Of this population, 133,139 (85 percent) had court-ordered financial obligations. Of those inmates who had such obligations, 55,158 (35 percent of the total population) had positive outstanding obligation balances as of that date.<sup>4</sup> The amount owed by these inmates ranged from as little as one cent (court assessments) to as much as \$2.4 billion (restitution for federal victims). A summary of financial obligations of BOP inmates can be found in Figure 1 below.

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<sup>1</sup> 18 U.S.C. § 3013 – Special assessment on convicted persons.

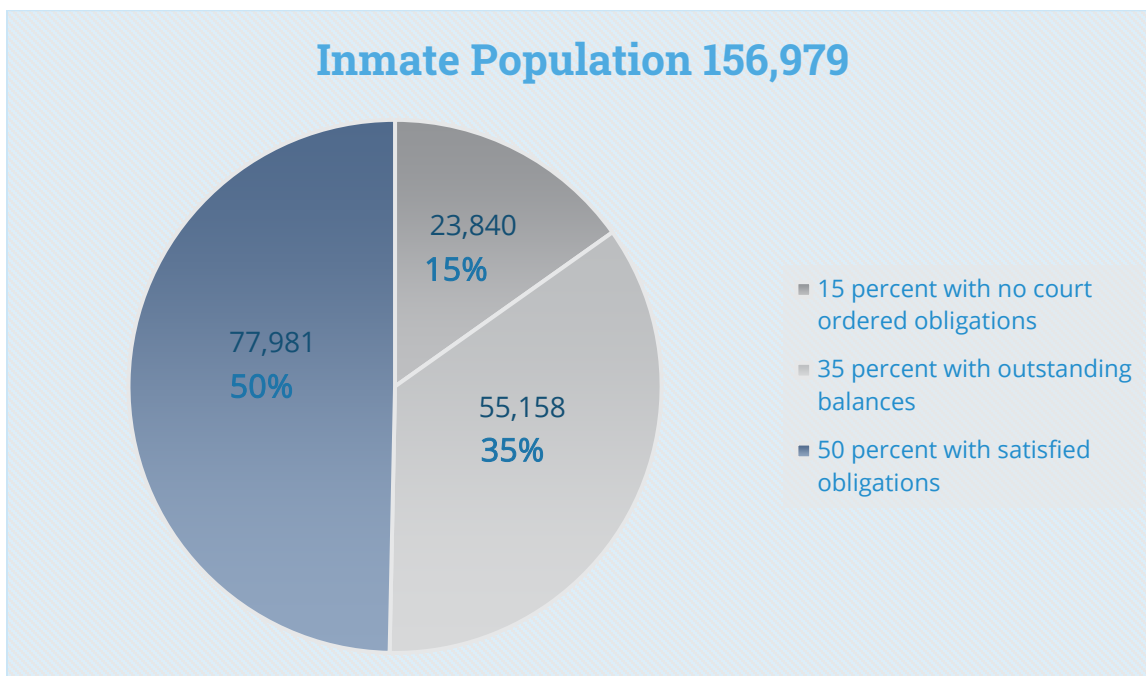
<sup>2</sup> We listed these obligations in the general order in which they should be paid, per 28 C.F.R. § 545.10 and 28 C.F.R. § 545.11. Some of these expire after a certain period, which is summarized in Table 1 of the report.

<sup>3</sup> The applicable federal regulations are 28 C.F.R. § 545.10 and 28 C.F.R. § 545.11.

<sup>4</sup> The remaining 77,981 inmates (50 percent of the total population) had court-ordered obligations that had lapsed or had been satisfied, whether through inmate payments, payments by third parties, court waivers, or expiration of the obligations.

Figure 1

Financial Obligations of BOP Inmates as of November 27, 2023



Source: OIG analysis based on BOP obligation report as of November 27, 2023

IFRP administration starts with the review of inmate financial obligations during the initial classification phase for an inmate.<sup>5</sup> The goal during the initial classification phase is for the unit team to develop a program plan to be used by an inmate during their incarceration. This program plan may include work and other activities designed to help the inmate develop the skills needed to make a successful transition back into the community. In addition, during initial classification, BOP staff cross-reference the J&C included in an inmate's central file (maintained in hard copy format at the institution where the inmate is incarcerated) and enter any applicable court-ordered financial obligations into the BOP SENTRY data system.<sup>6</sup> The unit team then develops a payment plan under the IFRP and encourages the inmate to agree to the plan as part of the inmate's overall program plan. If the inmate agrees to participate, the final agreed-upon payment schedule, along with any remaining obligation balance, is also captured in SENTRY. To monitor the inmate's progress towards fulfilling their court-ordered financial obligations, the unit team conducts subsequent program reviews that include a reassessment of the inmate's financial plan and IFRP payments every 180 days.<sup>7</sup>

<sup>5</sup> The initial classification phase takes place within 28 calendar days of an inmate's arrival at the designated institution and includes a procedure for the classification and subsequent review of the security, custody, and program needs of inmates.

<sup>6</sup> The SENTRY IFRP module is an online information system used by the BOP to improve operational and management information requirements for inmates regarding their financial obligations. It provides staff with the ability to easily assess an inmate's financial obligations and achievements.

<sup>7</sup> This interval becomes 90 days when the inmate is within 12 months of release.

There are two methods by which an inmate can make payments to satisfy court-ordered obligations. One method is for an inmate to use their commissary account (hereinafter “inmate account”) to make IFRP payments. This inmate account allows the BOP to maintain the inmate’s monies while they are incarcerated.<sup>8</sup> Generally, funds in inmate accounts come from the pay they earn from work assignments and other sources such as transfers from family members or friends; tax refunds or other government-related issuances such as bonds; and other income such as stock dividends, state benefits, litigation settlements, and inheritance. The other method for an inmate to satisfy court-ordered financial obligations is through direct payments to the court from third parties such as friends or family.<sup>9</sup>

Ordinarily, the minimum IFRP payment for inmates is \$25 per quarter. This minimum payment may exceed \$25, taking into consideration the inmate’s specific obligations and resources. Applicable regulations allow BOP staff the authority to recommend payments higher or lower than the minimum amount. For inmates with adequate resources, the minimum payment may exceed \$25. For inmates with work assignments in UNICOR grades 1 through 4, the regulations call for payments of not less than 50 percent of the inmate’s earnings; however, the regulations also grant BOP unit managers the authority to approve a payment amount less than the expected 50 percent of inmate earnings.<sup>10</sup>

In addition to making IFRP payments, inmates can use the funds in their inmate accounts for other purposes. For example, inmates can set aside some funds to prepare themselves for reentry into society. This portion is called the pre-release encumbrance. Additionally, inmates can allot some of their funds for making phone calls or purchasing minutes for messaging or video visiting purposes. Finally, inmates are allowed to procure items or services available within the institution that are not provided or of a different quality than those offered by the BOP.

## **Inmate Financial Responsibility Program—Media Attention and Department of Justice Directives**

Between 2021 and 2022, a series of news articles reported that certain federal inmates held large sums of money in government-run accounts, shielded from debt collection. According to the reporting, some inmates had sizable prison account balances but paid very little of their court-ordered obligations. During the same period, the Deputy Attorney General issued two memoranda, one in August 2021 and another in December 2022. The memoranda directed:

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<sup>8</sup> 28 C.F.R. § 506.1

<sup>9</sup> Our audit did not assess third party payments made directly to the U.S. Courts because such payments fall outside of the IFRP. According to the BOP, both monies sent to an inmate account—such as from a family member—and monies sent directly to a court to pay for obligations on an inmate’s behalf are recognized as originating from “community resources,” but belong to the inmate when deposited to an inmate’s account. Payments made by outside sources occur outside the IFRP and are therefore beyond our audit scope.

<sup>10</sup> UNICOR is the trade name for Federal Prison Industries, a self-sustaining government corporation with a mission to prepare inmates for successful reentry through job training. Work assignments within a BOP institution are classified on a graded scale. UNICOR jobs in grades 1 through 4 are higher-paid positions.

1. The BOP to take appropriate steps to identify inmate funds that should be encumbered and used to meet court-ordered financial obligations;
2. The BOP to coordinate with law enforcement, other DOJ components, and federal agencies to strengthen inmate account monitoring and reporting to reduce opportunities for abuse;
3. Department prosecutors to be proactive in enforcing court-ordered restitution including, when appropriate, considering obtaining court orders to seize inmate funds maintained by the BOP;<sup>11</sup> and
4. Department prosecutors to work proactively with the BOP and the United States Marshals Service to encumber funds in inmate's accounts as soon as prosecutors become aware that funds are available.

In the December 2022 memorandum, the Deputy Attorney General highlighted that the BOP had implemented new procedures, including: (1) enhancing guidance on monitoring inmate accounts, (2) investigating and taking actions against suspicious activity, and (3) identifying funds that should be encumbered to meet financial obligations. Specifically, the BOP implemented a monthly file review, where the BOP Central Office randomly selects 300 inmates' IFRP plans and forwards them to regional offices. The latter is responsible for disseminating the sampled plans to the relevant institutions' unit teams for review. The unit teams will then determine whether each inmate's current payment terms are commensurate with the inmate's ability to pay. Results of the unit teams' reviews are ultimately reported back to the Central Office. In addition, BOP's Special Investigative Service staff, who focus on inmates' criminal or gang activities, are now instructed to monitor inmates with an account balance of at least \$2,500 to identify any suspicious fund activities.

According to data provided by the BOP, as of November 27, 2023, there were 7,326 inmates (or 4.7 percent of the BOP's inmate population) who had at least \$2,500 in their account and the cumulative account balances for these inmates totaled about \$69 million.<sup>12</sup> Of these inmates, 549 had at least one positive obligation balance that had not expired or been waived and 452 of those had agreed to their IFRP plans.<sup>13</sup>

The data also showed that 33 inmates had at least \$100,000 in their accounts, with the highest account balance in excess of \$700,000. Of these inmates, only one had an outstanding financial obligation and that inmate was a participant in the IFRP.

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<sup>11</sup> The BOP can encumber (freeze) inmates' commissary account funds if needed. However, only DOJ prosecutors have the authority to seize an inmate's funds, pursuant to a court order.

<sup>12</sup> Not all inmates have financial obligations, however, as shown in Figure 1.

<sup>13</sup> Of the remaining 97 inmates, 77 were in the process of negotiating a plan, 17 had no plan, and 3 opted out of participation in the IFRP.



Following the BOP's implementation of these new policies and procedures, in January 2023, the BOP published for public comment proposed rule changes to the applicable federal regulations that govern the IFRP. We discuss these proposed rule changes in the Audit Results section of this report.

## **OIG Audit Approach**

Our audit objectives were to examine the BOP's administration of the IFRP and assess the IFRP's controls over inmate payments to satisfy court-ordered obligations. To accomplish these objectives, we interviewed officials at BOP headquarters and within the institutions where we performed fieldwork. We visited United States Penitentiary (USP) Atlanta to gain an understanding of IFRP administration at the institutional level. We also reviewed a judgmental sample of 73 inmates and their IFRP payments at 3 BOP facilities—the Federal Correctional Complex (FCC) at Coleman, Florida; the Federal Correctional Institution (FCI) at Fort Dix, New Jersey; and USP McCreary at McCreary, Kentucky. Our work at these three institutions included examining inmate IFRP files, reviewing BOP payment amount calculations, and examining IFRP payments made by inmates during the period of January 2020 to June 2023. Finally, we reviewed the federal regulations and corresponding BOP policy that govern the IFRP, which date back to April 1987 (28 C.F.R. § 545.10 and 28 C.F.R. § 545.11) and August 2005 (IFRP Program Statement), respectively.<sup>14</sup>

Appendix 1 contains further details on our audit objectives, scope, and methodology.

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<sup>14</sup> Developing a financial plan and entering it into SENTRY is the unit team's responsibility. However, collecting inmate funds and distributing them to appropriate components is the responsibility of the BOP Trust Fund Branch.



## Audit Results

Overall, we found that BOP's IFRP Program Statement, which serves as the central policy for the program's administration, generally parallels the applicable federal regulations that govern the program. However, we found that the federal regulations contain constraints that limit the BOP's ability to require inmates take steps to satisfy their court-imposed financial obligations. The first significant constraint is the voluntary nature of the IFRP. Although the regulations allow the BOP to impose significant consequences on inmates who refuse to participate in the IFRP, they also provide that an inmate can choose not to participate. In addition, the minimum IFRP payment dictated by the current regulation based on an inmate's work assignment is \$25 per quarter.<sup>15</sup> Therefore, even in instances where an inmate might have additional sources of income, an inmate may choose only to meet the minimum program requirement. In response to direction from the Deputy Attorney General (DAG) to improve inmate satisfaction of financial responsibilities, in January 2023, the BOP opened for public comment proposed rule changes to update and streamline the pertinent regulations. These proposed rule changes—which have garnered a significant amount of public comment—seek to address IFRP limitations, clarify certain aspects of the program, and update and streamline the pertinent regulations. We acknowledge that the BOP is working towards improving the regulations that govern the IFRP and encourage the BOP to work through the rulemaking process to ensure BOP program regulations and guidance provide for accurate, consistent interpretation and implementation of the IFRP and to better enable the BOP to work with inmates on developing appropriate payment plans to meet their court-ordered financial obligations. In addition, because we identified instances of inmates' central files lacking total deposit information and documented reasons for BOP accepting lower-than-expected payment amounts under current program rules, we believe BOP's current process for documenting the rationale for IFRP payment plans can be improved.

### BOP Proposed Rule Changes to Update Current Regulations

Prompted by two memoranda from the Deputy Attorney General directing the BOP to take steps to prevent inmates from avoiding payments toward obligations such as court-ordered restitution to victims, the BOP proposed changes to the regulations governing the program. The current regulations, which were originally promulgated in 1991 and last updated in 1999, contain constraints that prevent the BOP from requiring payments or certain payment amounts from inmates to satisfy court-ordered financial obligations. First, according to the regulations, the inmate is responsible for making satisfactory progress in meeting their financial responsibilities, and BOP staff are responsible for monitoring the inmate's progress. Under the regulations, a documented refusal to participate or meet agreed-upon program obligations can result in consequences for inmates such as unfavorable parole recommendations, preclusion from favorable work assignments, and commissary purchase restrictions. However, the final decision on whether to satisfy financial obligations remains with the inmate, making their participation in the IFRP essentially voluntary. In addition, the regulations state that ordinarily the minimum IFRP payment for inmates is \$25 per quarter. Therefore, even if an inmate has additional sources of income, such as tax refunds, an inheritance, or other deposits to the inmate's account, the regulations are unclear about the extent to which such other funds should be used to fulfill an inmate's court-ordered financial obligations.

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<sup>15</sup> Each inmate's IFRP payment cycle is determined at the inmate's initial classification and subsequent program review dates.

In an effort to address some of these limitations and other needed program clarifications, the BOP proposed rule changes in January 2023 and posted them for public comment. These proposed changes sought to clarify guidance and streamline payment calculations. For example, as noted above, under the current regulations, ordinarily, the minimum IFRP payment will be \$25 per quarter. This minimum payment “may” exceed \$25, taking into consideration the inmate’s specific obligations, institution resources, and community resources.<sup>16</sup> According to the BOP, because of the use of the word “may,” the current regulation proved to be unclear regarding whether and how income received through non-BOP sources—such as tax refunds, inheritances, and funds deposited into an inmate account by friends and family—should be taken into consideration. Proposed rules are published in the Federal Register to give the public an opportunity for comment.<sup>17</sup> In the Federal Register record, the BOP stated that the language regarding the use of the word “may” was not meant to be permissive but instead to indicate that community resources must be considered when calculating IFRP payments for these inmates. In practice, inmates and staff read the regulation as indicating that the default position is to allow inmates to maintain minimum payment amounts of \$25 per quarter, regardless of actual available resources, a practice confirmed by our review of a sample of inmate IFRP files at selected BOP institutions. As a result, many inmates currently pay only \$25 per quarter toward their financial obligations, despite having the financial means to increase those payments. Under the newly proposed rule change, 75 percent of an inmate’s community resources would be subject to the IFRP absent a specific court-ordered payment plan. This change would apply to all inmates, regardless of their work assignment.

A separate proposed rule change is designed to help inmates reserve funds to defray costs associated with release from prison. Specifically, under this proposed rule change, for inmates who receive earnings, 15 percent of their pay would be required to be set aside for pre-release purposes and thus exempt from IFRP payments. At the time of our audit, the BOP’s Trust Fund / Deposit Fund Manual provided that inmates could designate (encumber) funds as “pre-release” to prepare themselves for reentry into society but did not exempt those funds from IFRP purposes, whereas the IFRP Program Statement was silent on the matter. Consequently, if the rule regarding pay set-aside is implemented, changes will be necessary in the IFRP Program Statement specifically addressing the use of funds, particularly as it relates to pre-release set-aside funds.

The comment period for the proposed rule changes closed in March 2023, and as of October 2023, the BOP had received about 1,300 comments. According to a BOP official, many of the commenters raised objections to the BOP’s proposed rule change that, absent a court-ordered payment plan, at least 75 percent of the outside resources an inmate receives would be allotted to satisfy court-ordered financial obligations under the IFRP.

As of late November 2023, BOP staff were continuing to review the comments and revising the proposed rule in coordination with the Department. We believe that making necessary rule changes to the existing regulations, if implemented, could help bring more clarity to the BOP’s efforts to implement the program and their effort to work with inmates on developing payment plans to meet their court-ordered financial obligations. As a result, we recommend that the BOP, in coordination with the Department, continue to

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<sup>16</sup> 28 C.F.R. § 545.11 – Procedures for the Inmate Financial Responsibility Program

<sup>17</sup> The link to the proposed rule changes: <https://www.federalregister.gov/documents/2023/01/10/2023-00244/inmate-financial-responsibility-program-procedures>.

support implementation of the Final Rule by advancing counsel and responding expediently to requests for information that are routed to the BOP from various stakeholders.

## **BOP's IFRP Program Statement Is Consistent with Federal Regulations**

We found that the BOP's IFRP Program Statement is consistent with the federal regulations on all three of the limitations identified above—the voluntary nature of the program, the minimum payment of \$25 per quarter for most work assignments, and the ambiguity concerning whether non-institution funds are available for IFRP purposes. More specifically, the method outlined in the regulations for calculating the amount of inmates' funds subject to IFRP payments is the same as the one described in the BOP's Program Statement. The Program Statement states that during a program review, unit teams are to subtract the following amounts from an inmate's total deposits during the previous 6 months: (1) a total of \$450 (\$75 per month) telephone allowance and (2) the total IFRP payment the inmate has made during the same period. The process described above, referred to as "the formula" in the remainder of this report, is used to calculate the available funds for IFRP payments for the following 6 months. Additionally, the IFRP Program Statement language related to the order of priority for which payments are to be applied is almost the same as the language in the regulations, with the exception that the IFRP Program Statement specifically allows BOP staff to prioritize restitution payments over a special assessment under certain circumstances.<sup>18</sup> However, BOP officials told us that in practice, payment order had been pre-programmed into its electronic system and that staff would only adjust the order in the event of a court order that mandates a different payment plan. We summarize the guidance principles discussed above as found in the current federal regulations and IFRP Program Statement alongside some of the key proposed rule changes in Table 1 below.

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<sup>18</sup> While the regulation does not specifically speak to the potential for prioritization of restitution payments, the BOP considers such flexibility to be built into the following language in the regulation: "The financial plan developed shall be documented and will include the following obligations, ordinarily to be paid in the priority order as listed." 28 C.F.R. § 545.11.

Table 1

## Key Principles According to Applicable Guidance and Main Proposed Rule Changes

	Current Federal Regulations	IFRP Program Statement	Proposed Rule Changes / Clarifications (If Applicable)
<b>Program Nature</b>	Voluntary	Voluntary	No Change Proposed
<b>Payment Plans</b>	Only staff-developed payment plans referenced	Staff to collect payments according to court order if one exists	Clarifies that court-ordered payment plan, if applicable, takes precedence over staff-developed payment plans
<b>Funds Subject to IFRP</b>			
<i>Inmate Earnings from Non-Premium Work<sup>19</sup></i>	>=\$25/quarter	>=\$25/quarter	>=25% of pay
<i>Inmate Earnings from Premium Work</i>	>=50% of pay	>=50% of pay	No Change Proposed
<i>Funds from Non-Institutional Sources (Community Resources)</i>	May be used for IFRP	May be used for IFRP	Proposes that absent a court-ordered payment plan to the contrary, at least 75% of outside sources will be allotted for IFRP
<b>General Order in Which Payment is Applied</b>	<ul style="list-style-type: none"> <li>- Special Assessments</li> <li>- Court-ordered restitution</li> <li>- Fines and court costs</li> <li>- State or local court obligations</li> <li>- Other federal government obligations</li> </ul>	<ul style="list-style-type: none"> <li>- Special Assessments (expire after 5 years)</li> <li>- Court-ordered restitution (The expiration date varies. When imposed in conjunction with a special assessment, restitution may take priority under certain circumstances.)</li> <li>- Fines and court costs (expire 20 years after judgment date or an inmate's release, depending on the date of conviction)</li> <li>- State or local court obligations</li> <li>- Other federal government obligations</li> </ul>	No Change Proposed
<b>Funds Reserved for Reentry Assistance</b>	Not addressed	Not addressed	A set-aside of 15 percent of inmate pay and its exemption from IFRP could impact IFRP implementation

Sources: 28 C.F.R. § 545.10, 28 C.F.R. § 545.11; BOP's IFRP Program Statement; and BOP's IFRP Proposed Rules Federal Register, Vol. 88, Nos. 6 and 215 (January 10, 2023, and November 8, 2023)

<sup>19</sup> Inmate work assignments can be directly through the institution or through UNICOR. UNICOR is the trade name for Federal Prison Industries, a self-sustaining government corporation with a mission to prepare inmates for successful reentry through job training. Work assignments within a BOP institution are classified on a graded scale. In this table, we define non-UNICOR and UNICOR grade 5 assignments (the lowest possible position within UNICOR) as "non-premium" due to the low pay scales, whereas we refer to UNICOR jobs in grades 1 through 4 as "premium."

## BOP's Process for Documenting the Rationale for IFRP Payment Plans Can Be Improved

While the BOP is working toward revising the regulations that govern the IFRP, we found that its process for documenting the rationale for IFRP payment plans can be improved. Specifically, we identified instances of inmates' central files lacking total deposit information and documented reasons for accepting a lower-than-expected payment amount. As described above, during each program review, the unit team determines the funds available for payment after applying the formula and then works with the inmate to arrive at a payment plan for the next 6 months that is agreeable to both parties.

To assess the BOP's administration of the IFRP and its controls over inmate payments, we identified 8,664 inmates with account balances in excess of \$2,500 as of April 6, 2023, of which 1,956 had outstanding obligations. We selected for review 102 program review reports for a total of 73 inmates participating in the IFRP.<sup>20</sup> For 61 of these inmates, we performed recalculations to determine whether the agreed-upon payment amount aligned with the results of our calculations based on the formula found within the federal regulations and BOP policy.<sup>21</sup> If the agreed-upon payment plans we reviewed did not match our calculations, we interviewed unit team members to understand the reasons why.

Overall, we identified 28 instances where inmates' total deposits from the previous 6 months were either not included in the record or marked as "N/A." Also missing from these central files were the reasons why the agreed-upon payments were lower than the calculated results. Specifically, out of 44 inmates whose plans deviated from our calculations, we identified 40 instances where no reasons for the deviations were documented. When we asked unit team members why these deviations occurred, we were given several different explanations such as differing amounts in court-ordered payment plans, consideration for reentry into society, and the likelihood that obligations would be paid off prior to inmates' release.

We found that the BOP's IFRP Program Statement is silent on the need to document accurate deposit totals and reasons for deviations from calculated payment amounts using the stated formula. We believe recording accurate deposit totals and adequate explanations for payment deviations in inmate central files is essential for ensuring fair and consistent administration of the IFRP. In addition, without this information, the BOP's monthly random reviews of inmate plans and other oversight efforts may not be effective because needed historical information about the rationale for payment decisions will be unavailable. Accordingly, we recommend that the BOP update its guidance to ensure unit teams fully document inmate deposit totals and the rationale for any deviations from calculated payment amounts using the IFRP payment formula to better ensure fair and consistent administration of the program.

In addition to assessing the BOP's administration of the IFRP, we also assessed the internal controls in place for the IFRP payment process. Overall, we determined that there was adequate segregation of duties within the IFRP payment process. For example, every month BOP's Trust Fund Branch processes IFRP payments electronically, meaning inmate funds are not accessible by the unit team members who determine available funds. In addition, a separate unit within the Department of Justice is responsible for distributing the funds to various entities for which obligations are being collected. Specifically, the BOP's Trust Fund Branch

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<sup>20</sup> For some inmates, we reviewed more than one program review report.

<sup>21</sup> We did not perform recalculations for the remaining 12 inmates because of the following: (1) inmates had paid off their obligations, (2) transfer to another facility, and (3) the existence of a court order with a different payment plan.

disburses the funds to the DOJ Debt Accounting Office Group for distribution through electronic fund transfers or Treasury check for courts that do not accept electronic fund transfers.

## Conclusion and Recommendations

The BOP's IFRP Program Statement sets forth procedures for administering the IFRP and is generally consistent with the applicable federal regulations that govern the program. However, the current federal regulations include certain limitations that prevent the BOP from mandating inmate IFRP participation and payment amounts commensurate with available inmate resources. With the support of Department leadership, the BOP is making efforts to address some of the limitations of the IFRP contained within the current regulations through proposed rule changes. The BOP should complete the rule change process to better enable the agency to work with inmates on developing payment plans to meet their court-ordered financial obligations. We also believe that the BOP should take steps to improve its current administration of the IFRP by requiring accurate and documented information related to all inmate deposits and reasons for any deviations from calculated IFRP payments.

We recommend that the BOP:

1. In coordination with the Department, continue to support implementation of the Final Rule by advancing counsel and responding expediently to requests for information that are routed to the BOP from various stakeholders.
2. Update its guidance to ensure unit teams fully document inmate deposit totals and the rationale for any deviations from calculated payment amounts using the IFRP payment formula to better ensure fair and consistent administration of the program.



# **APPENDIX 1: Objectives, Scope, and Methodology**

## **Objectives**

The objectives of this audit were to examine the Federal Bureau of Prison's (BOP) administration of the Inmate Financial Responsibility Program (IFRP) and assess the IFRP's controls over inmate payments to satisfy court-ordered obligations.

## **Scope and Methodology**

To address our objectives, we interviewed officials from the BOP's Central Office and prison officials at four institutions. We selected three institutions for our site visits based on inmates' outstanding obligation balance, program participation status, and their individual account balance. The selected sites included the Federal Correctional Complex at Coleman, Florida; the Federal Correctional Institution at Fort Dix, New Jersey; and United States Penitentiary McCreary at McCreary, Kentucky.

We reviewed obligation data for all inmates as of May 1, 2023, and all inmate individual account balances greater than \$2,500 as of April 6, 2023. With this information, we selected and reviewed 102 program review reports for 73 inmates. For some inmates, we reviewed multiple reports. We used the formula for computing IFRP payments indicated in the IFRP Program Statement and compared our calculations to payments made by inmates during various time periods.

## **Statement on Compliance with Generally Accepted Government Auditing Standards**

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Internal Controls**

In this audit, we performed testing of internal controls significant within the context of our audit objectives. We did not evaluate the internal controls of the BOP to provide assurance on its internal control structure as a whole. BOP management is responsible for the establishment and maintenance of internal controls in accordance with OMB Circular A-123. Because we do not express an opinion on the BOP's internal control structure as a whole, we offer this statement solely for the information and use of the BOP.<sup>22</sup>

The internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to those internal control components and underlying principles that we found significant to the objectives of this audit, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

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<sup>22</sup> This restriction is not intended to limit the distribution of this report, which is a matter of public record.

## Compliance with Laws and Regulations

In this audit we tested, as appropriate given our audit objectives and scope, selected transactions, records, procedures, and practices, to obtain reasonable assurance that the BOP's management complied with federal laws and regulations for which non-compliance, in our judgment, could have a material effect on the results of our audit. Our audit included examining, on a test basis, BOP's compliance with the following laws and regulations that could have a material effect on BOP's operations:

- 28 C.F.R. § 545.10, Subpart B – Inmate Financial Responsibility Program

## Sample-Based Testing

To accomplish our audit objectives, we reviewed a sample of inmate IFRP records. We employed a judgmental sampling design to obtain broad exposure to numerous facets of the areas we reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected.

We requested from the BOP a list of inmates with at least \$2,500 in their individual account balance. This original file contained 8,664 records. To compare inmates' financial standing with their obligation status, we requested a report on all of BOP's inmates' obligations. This file consisted of 201,256 records. We combined these two reports with a goal of identifying inmates with at least \$2,500 in their individual account and some sort of obligations. This effort resulted in 1,956 records. These records contained both positive and negative obligations. We focused on those records with an agreed status, which indicated an active payment plan.

We further refined our criterion to inmates with at least \$5,000 in their account balance. This produced a more manageable total of 241 records. From these results, we selected three locations – Federal Correctional Complex Coleman, Florida; Federal Correctional Institution Fort Dix, New Jersey; and United States Penitentiary McCreary, Kentucky – to perform sample-based testing. We selected inmates based on an outstanding positive obligation balance; participation in the IFRP; and an account balance of at least \$2,500.

## Computer-Processed Data

We obtained information from the BOP's SENTRY and the Trust Fund Accounting and Commissary System. We did not test the reliability of those systems as a whole, therefore findings identified involving information from those systems were verified with documentation from other sources.

## APPENDIX 2: The Federal Bureau of Prisons' Response to the Draft Audit Report



U. S. Department of Justice

Federal Bureau of Prisons

Office of the Director

Washington, DC 20534

July 25, 2024

MEMORANDUM FOR JASON R. MALMSTROM  
ASSISTANT INSPECTOR GENERAL FOR AUDIT

FROM:   
Colette S. Peters, Director

SUBJECT: Response to the Office of Inspector General's (OIG) Draft Report:  
Audit of the Federal Bureau of Prisons' Inmate Financial Responsibility Program

The Federal Bureau of Prisons (FBOP) appreciates the opportunity to formally respond to the Office of the Inspector General's (OIG) above-referenced draft report. Thank you for your thorough and thoughtful evaluation.

**Recommendation 1:** In coordination with the Department, continue to support implementation of the Final Rule by advancing counsel and responding expediently to requests for information that are routed to the BOP from various stakeholders.

**FBOP Response:** FBOP concurs with this recommendation and intends to continue its ongoing work with the Department of Justice (DOJ) to revise regulations governing the Inmate Financial Responsibility Program (IFRP). FBOP will, in coordination with the DOJ, continue to support implementation of the relevant regulations by advancing counsel and responding expediently to requests for information from various stakeholders.

FBOP would note that OIG did not identify concerns with the proposed regulation or its development and approval process, nor were concerns raised with the substance of the proposed rule. Additionally, it is important to note that several parts of the regulatory process are outside of FBOP's control, including the DOJ review and approval process of rules proposed by components, Office of Management and Budget review and approval of proposed rules, and the final decision to publish the rule. As such, FBOP does not control the timeframe of the approval process and therefore cannot provide updates on when the Final Rule will be completed, however, as noted above, FBOP fully intends to continue working with the Department of Justice to revise the IFRP regulations and corresponding guidance as FBOP is committed to improving the relevant regulations and will adhere to that commitment.

**Recommendation 2:** Update its guidance to ensure unit teams fully document inmate deposit totals and the rationale for any deviations from calculated payment amounts using the IFRP payment formula to better ensure fair and consistent administration of the program.

**FBOP Response:** FBOP concurs with this recommendation and notes that current policy requires unit teams to fully document inmate deposit totals and the rationale for any deviations from calculated payment amounts using the IFRP payment formula to better ensure fair and consistent administration of the program. However, FBOP will reinforce this requirement by providing further guidance to employees to stress the importance of following this procedure as outlined in FBOP's Inmate Financial Responsibility Program (IFRP) policy, Program Statement 5380.08.

The Correctional Program Branch (CPB) is routing a memorandum for signature by the Assistant Director, Correctional Programs Division, to be disseminated to unit team employees. The purpose of the memorandum is to reiterate the importance of adhering to procedures outlined in the current IFRP Program Statement. This memorandum restates policy requirements regarding the documenting of inmate deposit totals and the rationale for any deviations from the calculated payment amount based on the IFRP formula. It will stress the need for employees to establish fair and consistent IFRP payment plans.

On July 11, 2024, Correctional Programs Branch staff held a Teams Meeting with all six regional correctional programs offices. Discussion was provided on the importance of institution employees implementing the IFRP program based on the current IFRP policy. CPB staff emphasized the importance of utilizing the IFRP payment formula for commensurate payments, documenting account balances, payments made, payments missed and deviations from the recommended payments. The regional offices were asked to provide this information to all Case Management Coordinators, Unit Managers and institution IFRP Coordinators.

The Correctional Programs Branch will hold its bi-annual Informational Meeting with institutional unit team employees in Fall 2024. A review of the IFRP policy by the national IFRP Coordinator has been added to the meeting agenda. This review will include an emphasis on documenting IFRP information on the Individualized Needs Plan - Program Review Sheet, specifically as it relates to account balances and rationale for deviations from calculated payment based on the current IFRP formula.

Correctional Programs Branch employees are currently reviewing the Inmate Financial Responsibility Program lesson plans and instructional materials for national Case Manager Familiarization, Unit Manager Familiarization and Case Management Coordinator Familiarization training. The lesson plans will include specific references to the IFRP policy and provide guidance on properly documenting information on the Individualized Needs Plan - Program Review Sheet.

## **APPENDIX 3: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report**

The Office of the Inspector General (OIG) provided a draft of this audit report to the Federal Bureau of Prisons (BOP). The BOP's response is incorporated in Appendix 2 of this final report. In response to our audit report, the BOP concurred with our recommendations and discussed the actions it will implement in response to our findings. As a result, the status of the audit report is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

### **Recommendations for the BOP:**

- 1. In coordination with the Department of Justice (Department), continue to support implementation of the Final Rule by advancing counsel and responding expediently to requests for information that are routed to the BOP from various stakeholders.**

Resolved. The BOP concurred with our recommendation. The BOP stated in its response that it intends to continue its ongoing work with the Department to revise regulations governing the Inmate Financial Responsibility Program (IFRP).

This recommendation can be closed when the rule making process has concluded. Please keep the OIG informed of the BOP's efforts to support implementation of the Final Rule.

- 2. Update its guidance to ensure unit teams fully document inmate deposit totals and the rationale for any deviations from calculated payment amounts using the IFRP payment formula to better ensure fair and consistent administration of the program.**

Resolved. The BOP concurred with our recommendation. The BOP stated in its response that it is routing a memorandum for signature by the Assistant Director, Correction Programs Division, to be disseminated to unit team employees. The memorandum restates policy requirements regarding documenting inmate deposit totals and the rationale for deviations from the calculated payment based on the IFRP formula. The memorandum will stress the need for employees to establish fair and consistent IFRP payment plans.

The BOP also stated in its response that the Correctional Programs Branch (CPB) staff met with all six regional program offices on July 11, 2024. According to the BOP, CPB staff emphasized the importance of utilizing the IFRP payment formula for commensurate payments, documenting account balances, payments made, payments missed, and deviations from the recommended payments.

In addition, the BOP's response stated that the CPB will hold its bi-annual information meeting with institutional unit team employees in the fall of 2024. The meeting will include a review of the IFRP policy by the National IFRP Coordinator and an emphasis on documenting IFRP information on the Individualized Need Plan – Program Review Sheet, particularly guidance related to account balances and the rationale for deviations from the calculated payment based on the current IFRP formula.

The BOP also stated that CPB employees are currently reviewing the IFRP lesson plans and instructional materials for national Case Manager Familiarization, Unit Manager Familiarization, and Case Management Coordinator Familiarization training. The BOP stated in its response that the lesson plans will include specific references to the IFRP policy and provide guidance on properly documenting information on the Individualized Needs Plan - Program Review Sheet.

This recommendation can be closed when we receive documentation showing the BOP distributed additional guidance to ensure unit teams fully document inmate deposit totals and the rationale for any deviations from calculated payment amounts.