
The Case of Virginia

Prison labor program riddled with scandal

by Edward Spannaus

“Virginia prisons. They’re wide open to business.” This is how Virginia Correctional Enterprises advertises the availability of its inmate population to be hired out to private companies. The VCE brochure shows a barbed-wire compound with a guard tower, with the slogan: “An ideal location your site selection committee may have overlooked.”

In 1993, the Virginia General Assembly passed a law permitting the state prison system to enter into joint ventures with private companies for manufacturing projects utilizing prison labor. In 1995, Virginia applied for and received certification from the U.S. government under the Federal Prison Industries Enhancement (PIE) program.

However, an *EIR* investigation has shown that these laws appear to have simply served as a pretext to allow Virginia to open up its prisons to private profiteers—since the Virginia prison-labor program is *not* in compliance with either Federal or state statutes.

Now, a scandal which has been brewing for at least 18 months, has finally broken into the open, as shown by a raucous hearing of the state Senate Finance Committee on July 17, and a flood of newspaper articles. An editorial in the Norfolk *Virginian-Pilot* on July 22 opened as follows: “The irony of officials in the Department of Corrections engaging in illegal activities should not be lost on any Virginians—including the convicts who were used for cheap labor in what appears to be a colossal case of mismanagement, perhaps fraud.”

Scofflaw Virginia

Although Virginia boasts of its PIE certification, it had only two projects certified under the PIE program—and both were money-losers and have been terminated. The PIE program allows prison-made goods to enter interstate commerce if certain conditions, such as paying the minimum or prevailing wage, are met. However, Virginia officials contend that if goods are shipped overseas, or are sold within the state, they are exempt from Federal laws.

The project which has gotten the most attention is one involving the manufacture of flight suits and vests for a Massachusetts businessman, who was supposedly shipping the items overseas. Inmates were told that the products were going to Taiwan, Thailand, Peru, Spain, and other countries. But the items were apparently shipped overseas, and then brought

back into the United States. Not only that, but VCE was selling the vests for only \$1.10 apiece, even though their manufacturing cost was \$13 per vest; the flight suits cost almost \$60 each to make, but were being sold for only \$3.

This project was raided and shut down in January 1997, and was supposedly the subject of a State Police investigation—until the probe was recently taken over by the U.S. Attorney and the FBI in Richmond. State officials have attempted to portray the deal as the action of a “renegade” employee who was operating completely on his own. Corrections Director Ron Angelone says, “This was not a sanctioned operation, so people did it without the knowledge of anyone but themselves.”

Even a reading of recent official audits of VCE by the state’s Auditor of Public Accounts shows that there is far more wrongdoing than this one deal. And, sources familiar with the overall VCE operation say that this is merely the tip of the iceberg, and that the scandal reaches all the way up to the former Governor, George Allen, and his Attorney General, Jim Gilmore—who was elected Governor last November, while the scandal was being kept under wraps, except for the efforts of *EIR* News Service.

The previous director of VCE, David Jones, resigned in December 1996 and soon went to work for a Richmond furniture company, Morton Marks & Sons, with which Jones had entered into a joint venture arrangement in April 1996, while Jones was still at VCE. Under state law, all production agreements with private companies are to be approved by the Governor and reviewed by the VCE advisory board. But last year’s audit of VCE found that there was no documentation for the joint ventures for furniture manufacturing in VCE’s files—as is required by law.

“If any documentation existed to support VCE’s decision to enter these agreements, it disappeared when [Jones] left,” the audit report stated. The report further stated that without the documentation, “it is impossible to assess the propriety” of the joint ventures, and further, that VCE “risks losing its PIE certification” without supporting documentation.

There is only one major joint venture described in the most recent audit: the Morton Marks deal. The audit found that VCE is “experiencing cash flow problems to the point it cannot pay its obligations.” The audit says the cash flow problems began in 1996, when VCE began the joint venture operations. The biggest single problem for VCE is Morton Marks, which owes about \$1.2 million to VCE. Not surprisingly, besides employing the former head of VCE, Morton Marks was the second-largest campaign contributor to Jim Gilmore’s gubernatorial campaign in 1997.

Perhaps most astounding of all, the official audit found that there are 20 VCE customers for whom there was no documentation at all in VCE’s records!

Evidence is mounting to suggest that VCE was a means for corrupt officials and private businessmen to line their pockets, using prison labor at an average wage of 63¢ an hour.