Issue Brief: A Review of the Financial Sustainability of MAGCOR Industries

PEER
MISSISSIPPI
Joint Legislative Committee on Performance Evaluation and Expenditure Review

Issue Brief #733
September 1, 2026

About PEER:

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker of the House and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms, with one Senator and one Representative appointed from each of the U.S. Congressional Districts and three at-large members appointed from each house. Committee officers are elected by the membership, with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

The *Mississippi Constitution of 1890* gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

September 1, 2026

Honorable Tate Reeves, Governor
Honorable Delbert Hosemann, Lieutenant Governor
Honorable Jason White, Speaker of the House
Members of the Mississippi State Legislature

On September 1, 2026, the PEER Committee authorized release of the issue brief titled *A Review of the Financial Sustainability of MAGCOR Industries***.**

Senator Chad McMahan, Chair

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Report Highlights | Issue Brief #733 September 1, 2026

Background

The Mississippi Prison Industries Act of 1990 created a nonprofit corporation, known as the Mississippi Prison Industries Corporation (MPIC), to operate the prison industries program independently from, but in cooperation with the Mississippi Department of Corrections (MDOC). In 2021, MPIC filed a certificate of amendment to change its business name to MAGCOR Industries.

MISS. CODE ANN. Section 47-5-533 (1) (1972) states that its mission is to provide inmates with useful activities that can lead to meaningful employment after release in order to assist in reducing recidivism (i.e., re-incarceration of inmates). MAGCOR's goal is to provide skill training, work experience, and reentry services to offenders in MDOC custody. MAGCOR programs use inmate labor to manufacture products and services for purchase by state agencies, local governments, educational institutions, and private entities as authorized by state law.

MAGCOR is a nonprofit entity treated as a component unit of the State of Mississippi for financial reporting purposes. MAGCOR is structured to fund its operations from proceeds of prison industry product sales and grant funding. Therefore, it does not receive a general fund appropriation from the Legislature.

Key Findings

- MAGCOR's audited financial statements show it experienced a net loss of approximately $2.3 million in FY 2024 and a net loss of approximately $2.9 in FY 2025. Further, MAGCOR's external auditors noted for FY 2025 its economic dependency on three customers that comprised approximately 37% of its annual sales.
- MAGCOR lacks a documented system of internal controls currently in place. Rather, MAGCOR relies on its external comptroller and independent auditors for internal controls when it is ultimately the responsibility of MAGCOR management. This lack of internal controls has resulted in at least one documented instance of fraud and abuse.
    - Each of MAGCOR's two independent auditors contracted from FYs 2022 through 2025 identified material weaknesses (e.g., a deficiency, or combination of deficiencies, in internal controls over financial reporting in MAGCOR's internal controls over financial reporting).
- PEER identified other issues that could inhibit MAGCOR from being transparent in its structure and its ability to make management decisions regarding cash flow and profitability through the use of outdated and inaccurate financial information, including:
    - a lack of timeliness of the recording of significant financial transactions;
    - a lack of a fixed asset listing and depreciation schedule; and,
    - deficiencies in Mississippi Secretary of State annual reports.

Summary of Report Recommendations

1. MAGCOR should periodically evaluate its work programs and activities to balance making a profit and to ensure it offers skills that effectively prepare inmates for high-demand employment opportunities upon release.
2. MAGCOR's Board of Directors should approve and formally adopt a comprehensive policy for the implementation of proper internal control procedures.
3. MAGCOR should consider hiring a full-time, in-house senior level employee charged with the responsibility for the organization's accounting and financial operations and processes, potentially resulting in an overall cost savings in lieu of the current contractual expenditures for an external comptroller.

For more information, contact: (601) 359-1226 | P.O. Box 1204, Jackson, MS 39215-1204
Senator Chad McMahan, Chair | James F. (Ted) Booth, Executive Director

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Issue Brief: A Review of the Financial Sustainability of MAGCOR Industries

Authority, Scope, and Purpose

In May 2018, PEER published *A Review of the Mississippi Prison Industries Corporation* (PEER Report #620) to address the concerns of the Legislature regarding the financial sustainability of the Mississippi Prison Industries Corporation (MPIC). In this report, PEER found that MPIC struggled to sustain itself financially and was unable to prove its effectiveness in reducing recidivism.

Since this initial report, PEER has periodically monitored MPIC's finances, operations, and performance. In November 2021, PEER published *A Review of the Sustainability of the Mississippi Prison Industries Corporation* (PEER Report #663). This review was conducted as a follow-up to assess the financial sustainability of its operations, which noted further decline in its financial standing.

The PEER Committee, under the authority granted by MISS. CODE ANN. Section 5-3-51 (1972) et seq., conducted another review of the financial sustainability of MAGCOR Industries (formerly known as MPIC). This review does not include an assessment on the effectiveness of MAGCOR programs in reducing recidivism (i.e., a return to incarceration within 36 months).

To conduct this review, PEER:

- requested financial data and supporting documentation from MAGCOR;
- interviewed MAGCOR personnel; and,
- reviewed copies of audit reports and other information, such as reports submitted to other government agencies.

PEER reviewed financial data and audit reports pertaining to fiscal years (FYs) 2022 through 2026. MAGCOR has a June 30 fiscal year end.

What is MAGCOR?

MAGCOR is a non-profit corporation that was created to provide skill training, work experience, and reentry services to offenders in custody of the Mississippi Department of Corrections (MDOC). The goal is to allow offenders to develop employable skills during incarceration. In return, these skills should lead to a reduction in the reincarceration of inmates into the correctional system by enabling sustainable employment opportunities upon release. MAGCOR is structured to fund its operations from proceeds of prison industry product sales and grant funding. Therefore, it does not receive a general fund appropriation from the Legislature.

MISS. CODE ANN. Sections 47-5-531 through 47-5-579 (1972), known as the Mississippi Prison Industries Act of 1990, established a non-profit corporation (originally MPIC) to employ offenders while in MDOC custody and allow offenders to develop employable skills during incarceration. In 2021, MPIC filed a certificate of amendment to change its business name to MagCor Industries (MAGCOR). The name change was formally adopted on November 17, 2021.

MAGCOR's goal is to provide skill training, work experience, and reentry services to offenders in MDOC custody. MAGCOR programs use inmate labor to manufacture products and services for purchase by state agencies, local governments, educational institutions, and private entities as authorized by state law. In FY 2025, MAGCOR operated several prison industry work programs at three state facilities (Central Mississippi Correctional Facility, Mississippi State Penitentiary, and South Mississippi Correctional Institution) and one regional facility (Jefferson/Franklin Regional Correctional Facility). The types of industries, include:

- apparel and textile (e.g., correctional uniforms, jumpsuits, mattresses);
- metal manufacturing (e.g., benches, grills, planters);
- printing (e.g., manuals, signage, newsletters);
- service and recycling (i.e., plastics and sterile cleaning); and,
- warehouse operations (e.g., bedding, office furniture, footwear).

MAGCOR is a nonprofit entity treated as a component unit of the State of Mississippi for financial reporting purposes. MAGCOR is structured to fund its operations from proceeds of prison industry product sales and grant funding. Therefore, it does not receive a general fund appropriation from the Legislature.

Is MAGCOR Financially Sustainable?

MAGCOR's audited financial statements show it experienced a net loss of approximately $2.3 million in FY 2024 and a net loss of approximately $2.9 in FY 2025. Further, MAGCOR's external auditors noted for FY 2025 on its economic dependency on three customers that comprised approximately 37% of its annual sales.

While MAGCOR was created as a not-for-profit corporation through state law, it does not receive any general fund appropriations from the state. Therefore, it must make a profit from the proceeds of its product sales or through receipt of grant funding in order to remain financially viable and sustain its operations. MAGCOR administers/manages its various work release programs (which often involve a manufacturing business model) with the assistance and cooperation of MDOC.

MAGCOR's financial data is treated as a proprietary fund by the Mississippi Office of the State Auditor for inclusion in Mississippi's Annual Comprehensive Financial Report, or ACFR. An independent accounting firm is contracted each year to conduct an annual audit of MAGCOR.[1] These audits include the issuance of an independent auditor's report on MAGCOR's financial statements and other supplementary financial information. According to the two most recently completed audited financial statements, MAGCOR experienced a net loss of $2,331,740 in FY 2024 and a net loss of $2,887,357 in FY 2025. Exhibit 1 on page 3 shows MAGCOR's change in net position for FY 2024 and FY 2025.

[1] MAGCOR contracted with GranthamPoole PLLC to perform the FY 2022 financial statement audit and with CliftonLarsonAllen LLP to perform the FY 2023, FY 2024, and FY 2025 financial statement audits.

Exhibit 1: MAGCOR Change in Net Position for FY 2024 and FY 2025

	FY 2024	FY 2025
Program Revenue	$ 9,340,144	$ 9,234,888
Program Expenses	(13,913,519)	(10,687,373)
Operating Loss before Other Revenue and Expenses	(4,573,375)	(1,452,485)
Nonoperating Revenue and (Expenses)		
Interest Income, Net of Credit Card Fees	41	171
Interest Expense	(36,129)	(26,178)
Loss on Sale of Fixed Asset	-	(2,744,001)
Other Income	481,265	296,496
Grant Revenue	1,796,458	1,038,640
Total Nonoperating Revenues and (Expenses)	2,241,635	(1,434,872)
Change in Net Position	$ (2,331,740)	$ (2,887,357)

SOURCE: MAGCOR's FY 2024 and FY 2025 audited financial statements.

PEER notes that due to these overall net losses, MAGCOR is highly dependent on grant revenue. Grant revenue for FY's 2024 and 2025 were $1,796,458 and $1,038,640, respectively.

Profitability of MAGCOR Programs

PEER reviewed MAGCOR's statements of activity for FYs 2024 and 2025 to ascertain the degree to which individual program activities contribute or do not contribute to its overall profitability. Although a nonprofit entity is, by definition, not meant to make sizeable profits from its program activities, MAGCOR must make a profit to remain financially viable. MAGCOR administers/manages its various work programs (which often involve a manufacturing business model) with the assistance and cooperation of MDOC. Exhibit 2 on page 4 lists MAGCOR's program activities and the respective profits (or losses) in FYs 2024 and 2025.

Exhibit 2 presents a comparative analysis of the profitability of individual program activities using unaudited figures and is intended for informational purposes only. These figures do not reflect adjustments, if any, made or proposed by MAGCOR's auditors. Approximately 25% of MAGCOR's $5.2 million in net losses during FY 2024 and FY 2025 are attributable to its Fayette recycling operation ($316,395 loss) and MSP garment production ($970,572 loss). Although some losses related to program activities may be justifiable if the skills gained by workers in those programs are highly sought after by private employers after incarceration, MAGCOR must also weigh the potential value of skills gained by workers against the financial strain of maintaining programs generating consistent losses.

Exhibit 2: Net Income (Loss) by Program Activity for FY 2024 and FY 2025

Program Activity	FY 2024	FY 2025	Total
Parchman Farm management	$523,437	$1,768,224	**$2,291,661**
Johnson & Johnson – cleaning and sanitation	404,679	663,506	**1,068,185**
Mattress production	154,101	361,696	**515,797**
Work release program	144,609	227,088	**371,697**
Textiles production	198,806	93,616	**292,422**
Printing	75,692	212,631	**288,323**
Garment production	134,165	105,599	**239,764**
ARC trailer	245,566	(12,579)	**232,987**
Metal fabrication	(39,680)	151,859	**112,179**
BJA - MSU	33,905	(12,211)	**21,694**
CMCF call center (inactive in FY 2024)	0.00	(34,050)	**(34,050)**
Resale State Street	159,152	(248,923)	**(89,771)**
ARC Inspire	(52,478)	(66,518)	**(118,996)**
CMCF metal fabrication	(105,969)	(98,189)	**(204,158)**
Fayette recycling operation	(114,649)	(201,746)	**(316,395)**
MSP garment production	(739,080)	(231,492)	**(970,572)**
Total	**$1,022,256**	**$2,678,511**	**$3,700,767**

SOURCE: PEER analysis of MAGCOR's internal financial statements for FYs 2024 and 2025.

Although MAGCOR's programs generated approximately $3.7 million in profits from program activities during FY 2024 and FY 2025, these figures do not include MAGCOR's administrative expenses which are accounted for separately. Total administrative expenses, such as salaries and benefits for MAGCOR administrators and central office overhead, was approximately $3.4 million in FY 2024 and approximately $2.2 million in FY 2025, not including auditor adjustments, if any.

Concerns with Economic Dependency

MAGCOR's independent auditors are responsible for raising any concerns that might cast doubt as to its financial longevity. Although no "going concern" disclosure[2] was included in MAGCOR's most recently audited financial statements for the fiscal year ended June 30, 2025, PEER did note a disclosure by the independent auditor regarding economic dependency:

> *During 2025, the Corporation* [MAGCOR] *had three major customers that comprised approximately 37% of its annual sales. The three customers also account for 32% of its*

[2] A "going concern" disclosure is added to financial statements when conditions create substantial doubt about an entity's ability to remain in business for the next 12 months.

receivables. The loss of these customers could have a significant effect on the income of the Corporation.

Economic dependency on a small group of customers creates business risks such as revenue instability and potential insolvency due to the loss of one or more of these customers. For example, in FY 2025, MAGCOR's "statement of activities" (a profit/loss statement broken out by program activity) showed a profit of approximately $1.8 million from the management of Parchman Farms, for which MAGCOR has a joint venture agreement with MDOC. A loss of this activity's contribution to MAGCOR's overall profitability would exacerbate concerns regarding its financial sustainability, especially given the net loss of approximately $2.9 million in FY 2025.

Are there Issues with MAGCOR's Internal Controls?

PEER has no evidence that MAGCOR has a documented system of internal controls currently in place. Further, MAGCOR relies on its external comptroller and independent auditors for internal controls when it is ultimately the responsibility of MAGCOR management for developing, managing, maintaining, and testing these controls. This lack of internal controls has resulted in at least one documented instance of fraud and abuse.

A sound, well documented, and thoroughly tested system of internal controls is essential to ensure the timely, accurate, and complete reporting of financial information to management and assists in an entity's compliance with laws and governmental regulations. Internal controls also serve as a system of checks and balances that protect assets and reduce the possibility of losses through embezzlement and theft.

One component of MAGCOR's independent annual audit report assesses its internal controls over financial reporting. These reports include information that identifies several material weaknesses in MAGCOR's internal controls over financial reporting.

A **material weakness in internal controls** is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Each of MAGCOR's two independent auditors contracted from FYs 2022 through 2025 have identified material weaknesses in MAGCOR's internal controls over financial reporting within their reports, which include:

- insufficient maintenance of source documents;
- insufficient inventory controls and inventory control systems;
- reliance on external auditors to calculate MAGCOR's allocation of pension and postemployment benefit liabilities;
- issues regarding property controls;
- no formal review of bank reconciliations;
- no documentation noting that grant reconciliations are completed and reviewed in a timely manner;
- no formal review of journal entries is performed; and,

- no support for journal entries is maintained.

The above noted material weaknesses in MAGCOR's internal controls hinder the timely, accurate, and complete reporting of financial information and increases the probability of theft, embezzlement, and fraud. For example, the independent auditor noted that at times during audit fieldwork source documents, such as receipts for substantiation of expenses, were not available.

The material weaknesses in inventory controls led to disclaimers of opinion (e.g., a formal notice that the auditor could not verify financial records due to insufficient information or lack of documents) by the independent auditor for FY 2023 and FY 2024. For FY 2023, MAGCOR did not perform an inventory observation on or around the end of the fiscal year. In FY 2024, the unverified FY 2023 ending inventory balance, which is used in calculating cost of goods sold and thereby profits for the following year, was used in the calculation of cost of goods sold for FY 2024, which calls into question the profits and losses reported for program services in FY 2024.

The fact that independent auditors have noted material weaknesses in internal controls from FY 2022 through FY 2025 and MAGCOR's management has not corrected all of the deficiencies is a cause for concern and creates doubt about the accuracy of MAGCOR's reported financial information.

Lack of a Documented System of Internal Controls

During the review of MAGCOR's unaudited FY 2025 financial statements, PEER noted MAGCOR had yet to adopt specific internal controls to address several of the issues cited by its auditors in prior reports. Therefore, PEER requested a copy of MAGCOR's system of internal controls in October 2025 from MAGCOR's contracted comptroller, GranthamPoole PLLC. However, at that time MAGCOR had no documented internal control policies in place.

No further status of this system of internal controls was provided to PEER until it received a copy of the "MAGCOR Financial Update" presented at MAGCOR's board of directors meeting in November 2025, which contained the short statement "Internal Control Document is in process." MAGCOR's chief executive officer (CEO) provided to PEER in July 2026 the following statement:

> *The internal controls document in whole has not been approved by the board* [of directors] *but was something we identified through the most recent audit process as a potential gap and it will be considered by the board at our next meeting.*

To date, PEER has no evidence that these policies and procedures are currently being implemented or have been communicated to MAGCOR employees.

Lack of Full-Time Personnel Responsible for Internal Controls

MAGCOR lacks a full-time, senior level in-house employee to oversee its accounting operations and therefore does not have an in-house employee to oversee the development, implementation, management, and testing of a system of internal controls. Instead, MAGCOR relies heavily on its former independent auditor, GranthamPoole, and its current independent auditor to ensure compliance with Generally Accepted Account Principles (GAAP) and identifying weaknesses in internal controls.

After GranthamPoole ceased serving as MAGCOR's independent auditor, the firm began working as MAGCOR's external, contracted comptroller in February 2025 and was originally "engaged to work on MAGCOR 1 day a week and that is lessening in the next month." GranthamPoole still serves as an external, contracted comptroller as of the end of FY 2026 and has charged MAGCOR $298,000 for its services.

Without a full-time in-house employee to oversee accounting operations, MAGCOR not only relies on its contracted comptroller for accounting services but also relies on the independent auditor for calculation of some items appearing on its financial statements. For example, the independent auditor calculates MAGCOR's state retirement expense and the related net pension liability which are then presented to MAGCOR management for approval. Since the financial statements are the sole responsibility of MAGCOR management, these calculations should be performed in-house and the external auditor review them for accuracy. MAGCOR's reliance on its external auditor for this calculation represents a material weakness in internal controls, which was noted as far back as FY 2022.

MAGCOR must rely on the contracted comptroller for its accounting functions since it lacks a full-time in-house employee responsible for the development of a system of internal controls. While MAGCOR can certainly request its external comptroller to aid in the development of a documented system of internal controls, it is ultimately the responsibility of MAGCOR management for managing, maintaining, and testing these controls.

Reducing Risk and Liabilities

The importance of properly established policies and procedures for the implementation of internal controls over financial reporting cannot be overstated. Internal controls help to protect assets and reduce the risk of misstatements resulting from errors, omissions, oversights, and fraud.

In September 2025, PEER was informed by the current MAGCOR CEO about a questionable expense. The MAGCOR CEO noted that he referred this expense to the Office of the State Auditor (OSA) for investigation. Upon conclusion of the investigation and noted within its *Audit Exceptions Report for Fiscal Year 2026*, this expense was related to an embezzlement by the former MAGCOR CEO resulting in a demand of $26,566.09. According to OSA, the demand was paid in full on October 15, 2025, "and returned to the appropriate deserving entities." This loss of $18,922.33 was recorded in Quickbooks (the accounting software used by MAGCOR) to an "other expenditure" account titled "Fraud."

Are there Other Issues with MAGCOR's Operations?

PEER identified other issues that could inhibit MAGCOR from being transparent in its structure and its ability to make management decisions regarding cash flow and profitability through the use of outdated and inaccurate financial information.

Lack of Timeliness of the Recording of Significant Financial Transactions

In October 2025, PEER received an unaudited income statement for the fiscal year ended June 30, 2025, from MAGCOR's external comptroller. PEER noted that the unaudited net income for FY 2025 was $514,100 reflecting a significant improvement over FY 2024's net loss of $2,331,740. However, when an updated, unaudited income statement for the same fiscal year was received by PEER in February 2026, the net income for FY 2025 had changed to a net loss of $2,514,325, an overall decrease of $3,028,425. Per MAGCOR's audited financial statements, FY 2025's loss eventually increased to $2,887,357.

PEER reviewed MAGCOR's general ledger to determine specifically what had changed to cause such a material drop in net income over a short period. A transaction for the sale of a building titled to MAGCOR had not been recorded in a timely fashion in Quickbooks. When the sale was eventually recorded with a journal entry, the entry was dated March 18, 2025, suggesting that the sale of the building took place on or around that date. Essentially, this means that a transaction for the sale of a building in which MAGCOR incurred a $2.7 million loss was not recorded in MAGCOR's accounting software at the time of the sale in March 2025 but was recorded sometime after October 2025, when PEER received the first unaudited income statement, and before PEER received the second unaudited income statement in February 2026.

Timely, accurate, and complete financial information is essential to management when making decisions affecting an entity's operations, profitability, and cash flows, reacting to unexpected challenges and opportunities, and achieving stated goals. Without timely, accurate, and complete financial information, management lacks vital information required to effectively manage an entity's resources.

Lack of a Fixed Asset Listing and Depreciation Schedule

In October 2025, PEER requested a copy of MAGCOR's depreciation schedule for the purpose of gaining an understanding of MAGCOR's physical assets such as manufacturing equipment, real estate, and assets subject to capital lease agreements. PEER also requested the fixed asset listing that was to be used to update the depreciation schedule. However, MAGCOR's external comptroller noted that it was in the process of compiling the fixed assets for adjustments.

PEER received a depreciation schedule and asset listing from MAGCOR's external comptroller in November 2025. Upon receipt of this information, PEER concluded that MAGCOR had been without a complete list of its own physical assets or the means to accurately compute monthly depreciation expense for four months after its most recent fiscal year end at the time, or June 30, 2025.

A timely, accurate, and complete listing of fixed assets and assets subject to capital lease agreements is essential to all entities, whether for-profit or nonprofit. Without such a list, management does not know what the entity owns and therefore does not know what the entity needs or does not need. A fixed asset listing is also needed to prepare a depreciation schedule, which in turns impacts reported profits or losses. The lack of a fixed asset list and assets subject to capital lease agreements inhibits management's ability to effectively manage the resources of an entity.

Deficiencies in Mississippi Secretary of State Annual Reports

MAGCOR is required to file a "Non-Profit Annual Report" with the Mississippi Secretary of State's Office annually. These reports are completed and submitted using a portal accessed through the Mississippi Secretary of State's website. Although these reports are not part of MAGCOR's financial reporting process, PEER noted deficiencies that are tangentially related to the matter of internal controls.

PEER reviewed the two most recently filed annual reports, one filed May 7, 2025, and the other filed January 19, 2026, and noted the following deficiencies:

- MAGCOR's registered agent (the organization's legal point of contact responsible for receiving service of process), was not identified by name on either form. Only the address for the agent appears.
- Names and addresses for MAGCOR's officers are missing on both forms. The only officers listed are two incorporators and Vice President. However, the individual listed as Vice President is no longer associated with MAGCOR at the time of the two filings.
- The electronic signature for the individual responsible for filing the annual reports is that of MAGCOR's chief executive officer, but he is identified on the form as "Assistant Secretary," a position he never held.

When PEER inquired about these forms, MAGCOR's external comptroller acknowledged that errors had been made and informed PEER that the forms had been amended. When the amended forms were reviewed, PEER noted that the registered agent was still not identified by name.

Conclusion

MAGCOR's lack of a sound, comprehensive, and well tested set of internal controls negatively impacts the timely, accurate, and complete reporting of financial information and increases the potential for fraud, theft, and embezzlement. Further, without a full-time, in-house, senior level employee responsible for accounting operations, MAGCOR relies on its outside, contracted comptroller for accounting services and other functions, such as the development of a set of internal controls.

Overall, these factors have resulted in an environment that impairs the ability of third parties to judge the effectiveness of MAGCOR's operations, its financial health, the viability of its programs, and the organization's ability to continue operating in the future. Also troubling is that these deficiencies have existed for several years and little, if any, progress has been made in resolving and correcting the issues.

Recommendations

PEER recommends the following:

1. MAGCOR should periodically evaluate its work programs and activities to balance making a profit and to ensure it offers skills that effectively prepare inmates for high-demand employment opportunities upon release. It should focus on industries with projected job growth and consider replacing programs that are expected to have a projected decline in jobs over the next several years. Although some losses related to program activities may be justifiable if the skills gained by workers in those programs are highly sought after by private employers after incarceration, MAGCOR must also weigh the potential value of skills gained by workers against the financial strain of maintaining programs generating consistent losses.
2. MAGCOR should adopt and implement a comprehensive set of procedures that constitute a system of internal controls over financial reporting. MAGCOR's Board of Directors should formally approve these policies. All MAGCOR employees playing a role in any accounting function to any extent should be educated as to their individual responsibilities concerning internal control procedures, and the implementation of these procedures should be properly monitored and supervised by management.
3. In lieu of the current contractual expenditures for an external comptroller, MAGCOR should consider hiring a full-time, in-house senior level employee charged with the responsibility for the organization's accounting and financial operations and processes and implementation of the board approved system of internal controls. With an in-house comptroller, MAGCOR should work to reduce, if not eliminate, its dependency on the current outside contracted comptroller entity, potentially resulting in an overall cost savings.

Agency Response

MAGCOR
BUILDING FUTURES

August 25, 2026

Mr. James F. (Ted) Booth, Executive Director
Joint Committee on Performance Evaluation and Expenditure Review (PEER)
P.O. Box 1204
Jackson, MS 39215

Re: MAGCOR Response to Recommendations in the 2026 PEER Review of the Financial Sustainability of MAGCOR Industries

Dear Mr. Booth:

Magnolia Correctional Industries (MAGCOR) appreciates the review conducted by the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER) regarding the financial sustainability, financial reporting, and internal control environment of MAGCOR Industries.

MAGCOR values PEER's role in strengthening transparency, accountability, and effectiveness across state programs and welcomes the opportunity to formally respond to the recommendations contained in the review.

MAGCOR recognizes that opportunities for continued improvement remain. However, MAGCOR believes it is important that the findings be considered within the appropriate historical and operational context. The period reviewed spans fiscal years 2022 through 2026, while MAGCOR's current contracted CFO/Comptroller, GranthamPoole PLLC, was not engaged until February 2025. Many of the conditions referenced in the report predate both that engagement and a number of corrective actions undertaken by current management.

Since that time, MAGCOR has implemented significant improvements in financial reporting, internal controls, accounting processes, accounts payable procedures, inventory reporting, fixed asset management, monthly financial close procedures, and overall financial oversight.

MAGCOR also notes that the deficiency identified regarding its Secretary of State annual filing has been corrected. Once the outdated officer information was identified, amended filings were promptly submitted to reflect the necessary corrections.

Below is MAGCOR's response to the recommendations identified in the report, including actions already completed, actions underway, and planned measures for continued improvement.

Recommendation 1: Periodic Evaluation of MAGCOR Work Programs and Activities

PEER recommends that MAGCOR periodically evaluate its work programs and activities to balance financial sustainability with its responsibility to prepare participants for high-demand employment opportunities following release. PEER further recommends that MAGCOR focus on industries with projected job growth and evaluate whether programs generating recurring financial losses provide sufficient workforce-development value to justify their continued operation.

MAGCOR Response:

MAGCOR acknowledges this recommendation and agrees that its programs should be periodically evaluated based on both financial performance and the workforce-development value provided to program participants. MAGCOR's recent operating history also demonstrates that this evaluation occurs in practice. On May 15, 2025, MAGCOR discontinued the textile operation located at South Mississippi Correctional Institution after determining that continued operation was not financially sustainable. MAGCOR also ended a private-sector partnership associated with its recycling program at Jefferson-Franklin Regional Correctional Facility. These actions demonstrate that MAGCOR management and the Board actively review individual programs and partnerships and make operational decisions when financial performance or overall program viability does not support continued operation.

MAGCOR's statutory mission requires the organization to consider factors beyond profitability alone, including meaningful work experience, development of marketable skills, employment opportunities following release, industry demand, and the overall reentry value provided through its programs. At the same time, MAGCOR recognizes its responsibility to maintain financially sustainable operations.

Accordingly, MAGCOR will continue to evaluate individual programs and business activities using both financial and programmatic considerations, including revenues, direct and indirect costs, customer demand, operational sustainability, workforce needs, participant training opportunities, industry growth, and the transferability of skills obtained through each program.

Programs experiencing recurring financial losses will receive additional review to determine whether pricing adjustments, operational efficiencies, restructuring, customer diversification, cost reductions, or other corrective actions may improve financial performance. Where continued losses occur, MAGCOR will also evaluate whether the workforce-development benefits and employment opportunities associated with the program justify continued operation.

MAGCOR also notes that the FY 2025 net loss should be considered within the context of the Metrocenter transaction. Of the approximately $2.8 million net loss reported for FY 2025, approximately $2.7 million was attributable to the sale of the Metrocenter property and was therefore not representative of recurring operating losses alone.

MAGCOR remains committed to balancing sound financial stewardship with its statutory mission of preparing participants for meaningful employment following incarceration.

Recommendation 2: Adoption and Implementation of a Comprehensive System of Internal Controls

PEER recommends that MAGCOR adopt and implement a comprehensive set of procedures constituting a system of internal controls over financial reporting. PEER further recommends that MAGCOR's Board of Directors formally approve these policies, that employees involved in accounting functions understand their individual responsibilities, and that management monitor and supervise implementation of the procedures.

MAGCOR Response:

MAGCOR concurs with the importance of maintaining a comprehensive, documented, and consistently implemented system of internal controls.

MAGCOR recognizes that several internal-control deficiencies referenced in the report existed historically and predated the engagement of its current contracted CFO/Comptroller. Since February 2025, MAGCOR management, with assistance from GranthamPoole PLLC, has undertaken substantial corrective action to strengthen its financial reporting and internal control environment.

A comprehensive Internal Controls Policies and Procedures Manual was developed to address MAGCOR's financial reporting and accounting processes. On August 25, 2026, the MAGCOR Board of Directors formally approved the Internal Controls Policies and Procedures, and those internal controls have now been adopted by the organization. MAGCOR will continue to ensure that applicable employees understand their responsibilities under the adopted procedures and that management monitors compliance and implementation on an ongoing basis.

MAGCOR has also implemented numerous operational controls, including an electronic accounts payable workflow that provides for electronic retention of invoices, defined employee authorization levels, segregation of payment-processing and approval responsibilities, and approval by two officers prior to payment.

Additional controls have been implemented within accounts receivable, including periodic review of receivable activity and coding, cash reconciliations, and follow-up procedures for delinquent accounts.

Inventory reporting procedures have also been developed and implemented, with inventory balances adjusted to physical inventory count results on a monthly basis.

MAGCOR has further implemented comprehensive monthly financial close procedures and supporting schedules designed to improve the accuracy, timeliness, and reliability of financial reporting and to support the annual external audit process.

MAGCOR acknowledges that the FY 2025 audit continued to identify two areas requiring improvement: documented review of journal entries and documented review of bank reconciliations. Upon identification of these matters, a formal review process was established with executive management. MAGCOR will ensure these procedures remain incorporated into the organization's adopted internal-control framework and are consistently documented and monitored.

MAGCOR recognizes that effective internal controls require more than written policies. They require consistent implementation, documentation, employee accountability, management oversight, and periodic evaluation. With the Board's formal approval and adoption of the Internal Controls Policies and Procedures on August 25, 2026, MAGCOR has taken an important step toward addressing PEER's recommendation and will continue to monitor and strengthen its internal-control environment.

Recommendation 3: Consideration of a Full-Time Senior-Level In-House Financial Employee

PEER recommends that, in lieu of MAGCOR's current contractual expenditures for an external comptroller, MAGCOR consider hiring a full-time, in-house senior-level employee responsible for the organization's accounting and financial operations and processes and implementation of Board-approved internal controls. PEER further recommends that MAGCOR work to reduce, if not eliminate, its dependency on its current outside contracted comptroller.

MAGCOR Response:

MAGCOR acknowledges this recommendation and agrees that the organization should periodically evaluate its financial management structure to ensure that it remains both effective and financially responsible.

MAGCOR will continue to evaluate the appropriate balance between internal financial personnel and contracted professional services based on the organization's size, complexity, operational needs, cost, and level of specialized financial expertise required.

MAGCOR believes it is also important to consider the nature and scope of services currently provided through its contracted CFO/Comptroller arrangement.

GranthamPoole PLLC was engaged in February 2025 after MAGCOR management identified significant historical accounting, reconciliation, financial reporting, and internal-control issues requiring corrective action. During the initial phase of the engagement, substantially more time and resources were necessary to bring delinquent reconciliations current, address historical account balances, develop and implement financial controls, establish policies and procedures, and assist with an external audit that was already significantly delayed.

As those corrective efforts have progressed, the level of contracted services and associated costs has decreased.

While GranthamPoole is formally scheduled to provide on-site services one day per week, MAGCOR receives accounting and financial support throughout the week as needed. The contracted model also provides MAGCOR access to professionals with specialized experience in accounting, governmental accounting, audit, tax, forensic matters, and other financial disciplines that may not be available through a single full-time employee.

MAGCOR also recognizes that specialized accounting matters, including pension, lease, and other complex accounting requirements, may appropriately be performed with assistance from qualified outside professionals so long as MAGCOR management retains responsibility for review, approval, and the financial statements.

For these reasons, MAGCOR will evaluate the recommendation to employ a full-time senior-level financial professional in conjunction with the cost, capabilities, and breadth of services currently provided through the contracted CFO/Comptroller model.

MAGCOR's objective will be to establish the financial management structure that provides the organization with the strongest combination of internal oversight, professional expertise, continuity, accountability, and cost effectiveness.

MAGCOR appreciates PEER's continued evaluation of the organization and views these recommendations as constructive guidance for strengthening financial sustainability, internal controls, financial reporting, and organizational accountability.

MAGCOR acknowledges that continued improvement is appropriate and expected. At the same time, MAGCOR respectfully requests that the corrective actions and operational improvements implemented since February 2025 be reflected when evaluating the organization's present financial and internal-control environment.

MAGCOR remains committed to accurate and timely financial reporting, strong internal controls, sound financial stewardship, and continuous improvement while continuing to fulfill its statutory mission of providing meaningful work experience and employment skills to individuals in the custody of the Mississippi Department of Corrections.

Respectfully submitted,

Daguerre Henry
Chief Business Officer
Magcor Industries

PEER MISSISSIPPI
Joint Legislative Committee on Performance Evaluation and Expenditure Review

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