Cabinet and Governor Appointed Agencies' Performance Audit Action Item(s) & Status

Correctional Industries: Planning, pricing and market share

(See also cabinet agency response for full context to Washington State Auditor's Office (SAO) report, May, 2017)

The Departments of Correction (DOC) and Office of Financial Management (OFM) were included for this performance audit.

SAO Conclusion:

SAO Issues Summary:

1. CI has experienced planning challenges and contractor difficulties in the past when expanding industries and adding new ones.
2. Without a pricing policy, CI cannot ensure it saves agencies money while producing sufficient profit for reinvestment.
3. State law is not clear about what "fair competition" means.

SAO Recommendations (Rec) Summary:

1. Use leading practices to establish a formal business planning policy for new and expanding industries.
2. Develop a documented process to regularly assess the demand for skills taught to inmates based on input from private industry and current labor market data.
3. Improve existing efforts to obtain customer feedback on prices, and products by:
    a. Expanding its customer survey to include questions about product quality and prices, and customer needs
    b. Analyzing feedback to determine if CI's products and services adequately meet customer needs.
4. Develop, track and publish the following industry-specific performance measures:
    a. Inmate post-release employment outcomes
    b. Accuracy of CI's cost of goods sold forecast
    c. Accuracy of CI's operating expense forecast
    d. Profitability.
5. Establish a formal agency-wide pricing policy and a timeframe for implementing that policy. The pricing policy should include a documented process for:
    a. Comparing prices for new and existing products to ensure prices are competitive
    b. Approving prices to ensure they are set in accordance with policy
    c. Reviewing prices at specified intervals, with formalized roles and responsibilities for reviewers.

The table below shows the current status of action items the agency initiated to address issues identified in the performance audit report. Please see the *cabinet agency response* for additional context and any additional steps already taken.

For an explanation of the columns below, see the legend.

Issue/ Rec	Status	Action Steps	Lead Agency	Due Date	Current Resources?	Budget Impact?	Legislation Required?	Notes
Rec 1	Completed	Develop a formal business planning policy encompassing	DOC	7/18	Yes	No	No	A formal business decision processes has been developed and implemented. The new

Issue/ Rec	Status	Action Steps	Lead Agency	Due Date	Current Resources ?	Budget Impact?	Legislation Required?	Notes
		process constraints, business impacts, training requirements, efforts on private Washington businesses, and customer demand for CI goods and services.						CI Decision Package process utilizes SharePoint both as an approval routing and documentation system. The system is currently in use for business/program expansion projects and staffing needs decisions.
Rec 2	Completed	CI will establish a process to regularly review labor market data developed by the state Employment Security Department	DOC	6/17	Yes	No	No	The subtasks have been completed and CI's workforce development team will continue to actively monitor. DOC is currently working with ESD on the MOU.
Rec 2	Competed	CI will identify and deploy leading practices to engage potential employers for individuals released from incarceration.	DOC	9/17	Yes	No	No	Continue to work with Commerce on strategies related to employer engagement Continue to engage potential fair chance employers
Rec 2	Completed	CI will leverage existing relationships with stakeholders to define a process to request or run additional reports on labor market data.	DOC	12/17	Yes	No	No	Continue to review SOCs in relationship to labor market
Rec 2	Completed	CI will evaluate the need for and interest in a cross-sector employer advisory group.	DOC	12/17	Yes	No	No	CI workforce development will continue to engage with potential employers
Rec 2	In progress	CI will develop an employer needs survey for businesses that already employ previously incarcerated individuals	DOC	~~9/18~~ 5/20	Yes	No	No	Survey currently being developed and scheduled to complete 5/1/2020. • Workforce Development to pull and review Employer Demand Reports from ESD, will then review (occupations/SOC codes, skills certificated, etc.) and compare to the opportunities and skills which are offered within CI. SOP to be written on how to pull, compare and assess the report data.

Issue/ Rec	Status	Action Steps	Lead Agency	Due Date	Current Resources ?	Budget Impact?	Legislation Required?	Notes
								• Create a survey for employers to regularly asses the demands for specific skill sets. The ESD information will also assist CI in identifying skills which would be beneficial for us to provide. SOP to be send survey and assess the data. • Community Employment Specialists participate in Chamber of Commerce events to represent the population to the community. Correctional Industries participates in the Apprenticeship Working Group to partnerships for employment opportunities and to identify the employer needs. WD to create an employer survey to obtain feedback on the experience with the previously incarcerated individuals.
Rec 3	Ongoing	Develop a customer request tracking system to identify the most common reasons for requests, including returns, and request for repairs under warranty.	DOC	7/19	Yes	No	No	Originally this response was focused on furniture. It has been identified that the focus of customer feedback should extend to furniture, textiles, print and sign, and optical. Expanding to a more inclusive customer base provides CI with a better perspective of the customer's experience. CI determined using a simple format such as Survey Monkey to be the most effective method of delivering and receiving customer feedback.
Rec. 3	In progress	Develop a formalized and modern customer feedback process designed to significantly increase participation and to enhance assessment of product quality,	DOC	7/19	Yes	No	No	Determine best solution to obtain order-by-order customer feedback. Identify an electronic solution that customers can complete at the point of delivery with brief, relevant, and measurable responses.

Issue/ Rec	Status	Action Steps	Lead Agency	Due Date	Current Resources ?	Budget Impact?	Legislation Required?	Notes
		pricing and new business development opportunities						Identified the need for multiple surveys in order to tailor and gather most inclusive data. Surveys will need to include feedback solicited from facility planners, procurement agents, and program managers on an annual basis.
Rec. 3	In progress	Establish an advisory council composed of representatives from customer organizations. A customer advisor council will assist CI in soliciting input on its operations and potential new products.	DOC	~~12/18~~ 10/19	Yes	No	No	▪ Finalized a position list from agency partners interested participating on the customer advisory council for many CI industries. ▪ Schedule initial customer advisory council work session no later than October 15, 2019. ▪ Schedule initial customer advisory council work session no later than October 15, 2019.
Rec. 4	In progress	Expand current post-release employment tracking to include industry-specific measures	DOC	7/19				**Process Constraint:** The agency is not currently able to track post-release employment using SSN. DOC has not yet finalized an agreement/solution with ESD to allow comprehensive post-release employment data. CI is tracking the monthly employment rates of formerly incarcerated individuals who are working directly with a CI Community Employment Specialist. Community Employment Specialists track post release (employer, salary) when in contact with the individuals. This report is maintained regularly.
Rec. 4	Completed	Improve the current forecasting model to include	DOC	7/18	Yes	No	No	The accuracy of forecasted cost of goods sold is being tracked, updated and posted on

Issue/ Rec	Status	Action Steps	Lead Agency	Due Date	Current Resources?	Budget Impact?	Legislation Required?	Notes
		an industry-specific measure for accurate price of goods sold.						internal SharePoint dashboard. Data includes a summary page and individual pages for each industry/shop.
Rec. 4	Completed	Improve the current forecasting model to include an industry-specific measure for accurate operating expense.	DOC	7/18	Yes	No	No	CI's strategic plan is being redeveloped to focus on highest priority goals. At the Corporate Management Team (CMT) meeting in April 2018, members worked through exercise to identify priority goals. Next steps include: o Finalize updates to remaining strategic plan performance measures o Identify and assign owners for each measure o Develop reporting structure for strategy updates
Rec. 4	Completed	Develop industry-specific measure of profitability.	DOC	7/18	Yes	No	No	The accuracy of forecasted operating expense is being tracked, updated and posted on internal SharePoint dashboard. Data includes a summary page and individual pages for each industry/shop.
Rec. 5	Completed	Improve annual fiscal forecast detail and accuracy by aligning industry-specific revenues and expenses, enabling full cost recovery for respective industries.	DOC	7/17	Yes	No	No	The accuracy of forecasted net income is being tracked, updated and posted on internal SharePoint dashboard. Data includes a summary page and individual pages for each industry/shop.
Rec. 5	Completed	Improve annual fiscal forecast detail and accuracy by developing a new warehouse and transportation cost allocation model	DOC	10/17	Yes	No	No	The new transportation allocation model has been implemented successfully. The new allocation model distributes costs more accurately to each division using the percentage of stops each division used within the transportation network.

Issue/ Rec	Status	Action Steps	Lead Agency	Due Date	Current Resources?	Budget Impact?	Legislation Required?	Notes
Rec. 5	Completed	Establish a phased equipment replacement schedule by respective industry.	DOC	7/19	Yes	No	No	A five (5) year Equipment Replacement Schedule was initiated with the FY 2020 Forecast process. The intent is to build annual cash contributions into each industry's operating costs, committing equipment replacement funds to support and sustain ongoing program reinvestment
Rec. 5	In progress	Distribute the final pricing policy and corresponding pricing model, and train staff on using the model during the annual forecasting process.	DOC	~~7/19~~ 10/19	Yes	No	No	By October 31, 2019 – Based upon the FY 2020 framework developed and implemented, draft and finalize the CI pricing policy governing forecasting and pricing models as well as the Equipment Replacement Schedule. The formal policy will govern and support the annual forecasting, pricing, and equipment processes. It will also provide a framework for as-needed pricing review and approval due to external market fluctuations, inflation, and other factors. Distribute the draft pricing policy, including staff training and feedback to promote policy refinement and adoption. o By November 30, 2019 – Distribute final CI pricing policy.
Rec. 5	In progress	Implement the final pricing policy and corresponding pricing model	DOC	11/20	Yes	No	No	By November 30, 2019 – Distribute final CI pricing policy.

Last updated: July 2019