



## 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 public 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 progressss	CI will develop an employer needs survey for businesses that already employ previously incarcerated individuals	DOC	9/18	Yes	No	No	Survey currently being developed and scheduled to complete 9/01/2018
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	Determine best solution to obtain order-by-order customer feedback. Identify, develop and electronic alternative to paper forms. Solution shall provide customer with brief, relevant, measurable, and easy to use solution.



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								Identifying the best technology to meet 'ease of use' demands from customers, while also meeting the CI needs for collection and analysis of data.
Rec. 3	In progress	Develop a formalized and modern customer feedback process designed to significantly increase participation and to enhance assessment of product quality, pricing and new business development opportunities	DOC	7/19	Yes	No	No	Identified current transportation software (Fleetmatics Work) is not the ideal platform to solicit point of delivery customer feedback. 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	Yes	No	No	Finalized members from interested agency partners who are willing to participate in the customer advisory council.  Schedule initial customer advisory council work session no later than October 15, 2018.
Rec. 4	In progress	Expand current post-release employment tracking to include industry-specific measures	DOC	7/19				<b>Process Constraint:</b> 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.

Issue/ Rec	Status	Action Steps	Lead Agency	Due Date	Current Resources ?	Budget Impact?	Legislation Required?	Notes
Rec. 4	Completed	Improve the current forecasting model to include an industry-specific measure for accurate price of goods sold.	DOC	7/18	Yes	No	No	The accuracy of forecasted cost of goods sold is being tracked, updated and posted on 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: <ul style="list-style-type: none"> <li>○ Finalize updates to remaining strategic plan performance measures</li> <li>○ Identify and assign owners for each measure</li> <li>○ Develop reporting structure for strategy updates</li> </ul>
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



Issue/ Rec	Status	Action Steps	Lead Agency	Due Date	Current Resources ?	Budget Impact?	Legislation Required?	Notes
								percentage of stops each division used within the transportation network.
Rec. 5	In Progress	Establish a phased equipment replacement schedule by respective industry.	DOC	7/19	Yes	No	No	Contacted GMs from each industry to submit a replacement schedule on a three to five year plan. With 21 industries, completion of all schedules expected 7/2019.
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	Yes	No	No	<b>Process Constraint:</b> CI has been without a permanent Assistant Director (AD) of Financial Operations and has been unable to make significant progress on this task. This task will be a high priority for the incumbent AD upon their hiring.
Rec. 5	In progress	Implement the final pricing policy and corresponding pricing model	DOC	7/19	Yes	No	No	<b>Process Constraint:</b> CI has been without a permanent Assistant Director (AD) of Financial Operations and has been unable to make significant progress on this task. This task will be a high priority for the incumbent AD upon their hiring.