

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 process constraints, business impacts, training requirements, efforts on private Washington businesses, and customer demand for CI goods and services.	DOC	7/18	Yes	No	No	A formal business decision processes has been developed and implemented. The new 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 2.1	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 2.2	Completed	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 2.3	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 2.4	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 2.5	Completed	CI will develop an employer needs survey for businesses that already employ previously incarcerated individuals	DOC	5/20	Yes	No	No	Using Employer Demand Reports from the Washington State Employment Security Department (ESD), CI Workforce Development compared the demanded skills with the opportunities and skills offered within CI. Developed a survey for employers to regularly assess the demands for specific skill sets. Survey is used by Community

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								<p>Employment Specialists when meeting with new and existing employers. The ESD Employer Demand report will continue to assist CI in identifying skills which would be beneficial for future consideration.</p> <p>Additional activities:</p> <ul style="list-style-type: none"> • CI participates in Chamber of Commerce events and represent the returning population to the community. • CI participates in the Apprenticeship Working Group which is working to identify employment opportunities and employer needs.
Rec 3.1	Completed	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	A customer tracking system was developed to identify the most common reason for exemption requests, including returns and repairs under warranty.
Rec. 3.2	Completed	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	1/21	Yes	No	No	<ul style="list-style-type: none"> ▪ An electronic survey was developed to increase feedback participation, assess product quality, assess product pricing, and identify new business opportunities. The survey tool is pending final stage approval and implementation of the survey delivery/response begins 10/1/21. ▪ This project has been delayed due to the pandemic response. CI requires resources

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								<p>to manage the responses from the survey and CI has not been able to implement due to their high-level response to COVID-19 during the past 15 months.</p> <ul style="list-style-type: none"> (11/08/2021 follow-up) The electronic survey was developed and delivered to all CI customers who registered with CI's e-commerce site for purchasing and quoting of products, reaching over 2,400 customers. Customers will receive a survey annually and a team is working to have it on the CI website - providing customers easy access to provide electronic feedback. This feedback will provide a report for leadership and brand managers
Rec. 3.3	Completed	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	10/19	Yes	No	No	Customer Advisory Council was established and held initial meeting on January 7, 2020. A virtual meeting is planned for Fall 2020.
Rec. 4.1	Completed	Expand current post-release employment tracking to include industry-specific measures	DOC	7/19				CI is currently tracking this information on a monthly basis.
Rec. 4.2	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.

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Rec. 4.3	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"> ○ Finalize updates to remaining strategic plan performance measures ○ Identify and assign owners for each measure ○ Develop reporting structure for strategy updates
Rec. 4.4	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. 5.1	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. 5.2	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.
Rec. 5.3	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

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								industry's operating costs, committing equipment replacement funds to support and sustain ongoing program reinvestment
Rec. 5.4	Completed	Distribute the final pricing policy and corresponding pricing model, and train staff on using the model during the annual forecasting process.	DOC	10/19	Yes	No	No	<ul style="list-style-type: none"> ▪ The final Forecast and Product Pricing Policy was distributed in December 2019, and initial training began with FY 2021 Forecast development. ▪ Covid19 impacted (i.e., delayed) the agency's ability to Implement formal training, while continuously training staff on using the Forecasting and Product Pricing Policy. FY 2021 and FY 2022 Forecasting was hindered by remote working environments and operational constraints. ▪ A two (2) year Strategic Plan is in development for CI, which will include heightened focus on financial awareness and understanding via robust communications and educational opportunities. Training staff on Forecasting and Product Pricing Policy concepts will be emphasized.
Rec. 5.5	Completed	Implement the final pricing policy and corresponding pricing model	DOC	11/20	Yes	No	No	<ul style="list-style-type: none"> ▪ While the Forecasting and Product Pricing Policy has been implemented, our response to Covid19 has impacted (i.e., delayed) opportunities to review and refine the policy. Our intent moving forward is to continue to identify possible refinements and revisions over time as the agency returns to normal operations.

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								<ul style="list-style-type: none"> The agency also anticipates transitioning to a new Enterprise Resource Planning (ERP) system in the 2021-2023 biennium. It is anticipated a new ERP may present further opportunities to identify Forecasting and Product Pricing Policy refinements as well as enhanced profitability measures.