WYOMING DEPARTMENT OF CORRECTIONS

Policy and Procedure #5.005

Industries Operations

Authority: Wyoming Statute(s): 7-16-206; 25-1-104; 25-1-105; 25-13-101, *et seq.* ACA Standard(s): **ACI:** 4-4456; 4-4459; 4-4460 **CI:** 2-CI-6B-1; 2-CI-6A-1; 2-CI-6E-1; 2-CI-6E-2; 2-CI-6E-3; 2-CI-6E-4; 2-CI-6E-6; 2-CI-6E-7;	**Effective Date:** December 31, 2015 **Revision/Review History:** 12/15/14 11/30/13 11/10/12 **Summary of Revision/Review:** Updates existing policy pursuant to annual review.
Cross Reference of Policy: P&P #1.102, *Procurement Policy* WBI Operational Procedures: 5.320, *Promotions and Donations Procedure;* 5.100, *Sales Order Processing*; 5.200, *Purchase Order;* 5.500, *Quality Control;* 5.300, *Inventory Control Process;* and 5.310, *Inventory Counting Process*	**Supersedes Existing Policy :**
Approved: R.O. Lampert Robert O. Lampert, Director	12-23-15 Date

APPROVED FOR INMATE DISTRIBUTION

REFERENCE

1. **ATTACHMENTS**

   A. WDOC Form #517, *WY Brand Industries Weekly Report*

2. **OTHER – None Noted**

I. PURPOSE

A. Correctional Industries Operations. The purpose of this Policy and Procedure is to establish operating guidelines for the Wyoming Department of Corrections (WDOC) Correctional Industries (CI) program doing business as "WY Brand Industries" (WBI).

II. POLICY

A. Authority to Operate. It is the policy of WDOC that this policy and procedure, together with W.S. §§ 7-16-206 and 25-13-101, *et seq.*, and any relevant federal and/or state statute(s), shall authorize the establishment of an industries program and shall delineate the areas of authority, responsibility, and accountability for the program. (ACI 4-4456; 2-CI-6A-1)

1. Prison industries operate under W.S. §§ 7-16-206 and 25-13-101, *et seq*. which establish the program within state penal institutions and result in the manufacturing of products or the provision of services.

2. CI programs shall follow written policy and procedures to ensure efficient management of each CI program site and overall program.

III. DEFINITIONS

A. Accounts Payable: (*For this policy only.*) Unpaid invoices from suppliers for goods or services.

B. Accounts Receivable: (*For this policy only.*) All unpaid invoices not yet received from customers.

C. Business Support Office (BSO): Provides data entry and report creation utilizing the approved inventory control software system, as well as providing other financial services support to WY Brand Industries (WBI) operations at all WDOC locations as needed.

D. Correctional Industries Advisory Board (CIAB): A board consisting of seven (7) members appointed by the Governor to recommend policies and serve as advisories to the CI program.

E. Corporate Management Team (CMT): (*For this policy only.*) A team of key staff selected to provide management of all Correctional Industries operations.

F. **Correctional Facility:** Any adult correctional facility operated by the Wyoming Department of Corrections or Correctional Facilities and county jails under contract with the Wyoming Department of Corrections.

G. **Correctional Industries Business Office (CI Business Office):** The unit of Correctional Industries located in the WDOC Central Office designated with the responsibility of managing Correctional Industries financial activities.

H. **Correctional Industries Manager:** General Manager of the WDOC WY Brand Industries Program.

I. **Cost Accounting Center (CAC):** (*For this policy only.*) A distinct production operation unit within the Correctional Industries system, which is managed as a cost center or separate account entity at a facility.

J. **Custom Product:** (*For this policy only.*) Any product made by Correctional Industries that is not considered a standard product due to additional specifications such as quantity or special request by customer.

K. **Customer Complaint Report:** (*For this policy only.*) A document used to track reported concerns with Correctional Industries operation or products.

L. **Customer Service Manager (CSM)**: The WY Brand Industries Customer Service Manager.

M. **Fishbowl (FB):** The inventory control software used by CI to track materials ordered, received, manufactured, and sold by each CAC.

N. **Generally Accepted Accounting Principles (GAAP):** The standard framework of guidelines for financial accounting used in any given jurisdiction; generally known as accounting standards. GAAP includes the standards, conventions and rules accountants follow in recording and summarizing, and in the preparation of financial statements.

O. **Packing Slip:** Itemized list of articles included in each shipping package, giving the quantity, description, sales order number, purchase order number, customer name and address. Prepared by the shipper and sent to the customer for accurate tracking of delivered goods.

P. **Purchase Order (P.O.):** (*For this policy only.*) A form generated to indicate an order is requested.

Q. **Return Material Authorization:** (*For this policy only.*) A document used by Correctional Industries to accept goods returned from a customer based on concerns with quality or overall satisfaction.

R. **Quality Control:** (*For this policy only.*) The inspection and monitoring of products and services to ensure they meet established specifications.

S. **QuickBooks (QB):** The accounting and financial software used by CI to record, manage, and report financial information.

T. **Sales Order (S.O.):** A form generated when an authorized purchase order (or its equivalent) has been received from a customer.

U. **Shop Supervisor:** The person in charge of daily activity and production for a Cost Accounting Center within a correctional facility.

V. **Site Manager:** (*For this policy only.*) The person having administrative oversight of correctional industry programs and activities at a facility level.

W. **Weekly Open Sales Order Report:** (*For this policy only.*) A report that is produced on a weekly basis that includes all current open (not invoiced) sales orders at the start of that day.

X. **Weekly Production Log:** (*For this policy only.*) A log which indicates each current order as it moves through the process of production, quality check, and shipping.

Y. **Wyoming Online Financial System (WOLFS):** The primary accounting system utilized by the State of Wyoming.

IV. PROCEDURE

A. WY Brand Industries role in WDOC Facilities

1. Areas of authority, responsibility and accountability for industries are clearly delineated and the respective roles of the Warden/Superintendent and the industries staff are defined. The Industries Manager or designee participates in staff meetings with the Warden/Superintendent and other program staff (2-CI-6B-1).

i. The WBI Site Manager is responsible for the operational and financial performance of their assigned units and reports to the WBI Correctional Industries Manager. All facility WBI staff report to the Site Manager. WBI operations are provided workers by the host facility. All inmate workers are provided by the host facility for WBI operations and are managed by WBI staff while engaged in WBI operations.

ii. All facility staff report (directly or indirectly) to the facility Warden. The facility Warden is responsible for the overall operations of the facility.

iii. As guests in WDOC facilities, WBI Site Managers are expected to accommodate to the extent possible all facility evolutions and cooperate with facility staff engaged in facility operations as the impact WBI operations. The WBI Site Manager shall participate in all department head meetings regularly scheduled at the host facility and shall report to the group important and/or pertinent WBI information and operations information.

B. Cost Accounting Center (CAC)

1. An accounting system for each operating industries unit is designed, implemented and maintained in accordance with generally accepted accounting practices (ACI 4-4460, 2-CI-6E-1).

2. All costs in CI associated with manufacturing operations shall be recorded in order to facilitate planning, pricing, product or service profitability, work force performance and decision making.

3. Each facility industry operation shall be considered a CAC and shall provide for the tracking of expense(s) and revenue(s) specific to the operation.

4. There shall be a cost accounting system set up for each CI shop. This system shall:

i. Be maintained in accordance with Generally Accepted Accounting Principles (GAAP);

ii. Be based on a chart of accounts and general ledger;

a. Each CAC will have budget and function codes as determined by the WDOC Fiscal Manager.

iii. Provide a method to record and allocate costs for each separate CAC and allow for reconciliation with Wyoming Online Financial System (WOLFS);

iv. Provide a method to record and allocate administration and overhead costs for each industry shop;

a. Costs directly billable to a specific CAC shall be charged directly to that CAC**.**

b. Indirect costs, including administration and overhead, shall be distributed across each industry CAC as identified by management and the CMT.

C. WY Brand Industries Weekly Reports

1. Site Managers shall ensure completion of WDOC Form #517, *WY Brand Industries Weekly Report* from each CAC under their supervision.

i. Reports shall be sent to the CI Manager and are due each Monday or first working day thereafter for the preceding week.

ii. Reports shall include:

a. Number of inmate workers;

b. Hours worked;

c. Any late sales orders and reasons order is late;

d. Any major accomplishment of the shop, facility or staff member;

e. Priorities/ current projects for the upcoming week;

f. Any comments, suggestions or important information;

g. Orders ready for pickup or delivery; and

h. Safety walk-through.

2. The CI Business Manager (or designee) shall compile a quarterly activity report.

i. The CI Prison Division informational report (submitted to the Prison Division quarterly) shall include:

a. Invoices;

b. Sales orders;

c. Revenue collected;

d. Account receivables; and

e. Open sales orders.

ii. The CI Business Manager shall provide the quarterly activity report to the CI Manager within three (3) business days.

3. The CI Manager shall review and approve the report. All Site Managers shall then receive a copy of the monthly activity report.

D. Operations and Production

1. Product Pricing

i. There is an established method for developing prices of products and services. Pricing decisions are based on the cost of goods and market information. Periodic market analyses ensure current market pricing (2-CI-6E-6). Pricing for all products shall be recommended by the Sales Customer Service Manager (CSM) based on input from the CMT members. Pricing decisions shall be based on the costs of goods, direct and indirect cost, administrative cost and mark-up and then compared to the market price for the items. The recommended prices will be submitted to the CMT for recommendations of the prices to the Business Manager and CI Manager.

ii. All articles or products manufactured or produced or services provided shall be priced at no less than the actual cost of producing and marketing the product, plus an allowance for overhead and administrative costs and a reasonable profit to provide fiscal resources for the development of inmate work programs. In special cases, the CI Manager may allow for inventory reduction sales.

iii. Prices shall be reviewed every six (6) months or as needed, and retail prices shall be adjusted (if necessary) at that time.

2. Promotions and Donations

i. Promotional materials and donation requests will be handled in accordance with WBI Operational Procedure #5.320, *Promotions and Donations Procedure*.

ii. Participation in promotions and the distribution of promotional items is permitted for the WBI CSM. The purpose of promotions and promotional items is to further the awareness of WBI and the WBO product line for the development of new business opportunities. All promotional items will be determined in the discussion between the CSM and the CI Manager.

3. Due Dates for Standard and Custom Products

i. The CSM shall confer with each production site to pre-determine which products will be considered standard/custom for the sales catalog/website product list.

a. The catalogue or product list shall reflect which items are standard and which are custom.

ii. A finished goods inventory of high volume standard products shall normally be maintained at the warehouse in Cheyenne and the ship date for the CSM shall be set at five (5) calendar days from when the order was received.

iii. Lower volume standard products for which a finished goods inventory is not maintained for, will require production scheduling. The ship date for these items will normally be twenty-one (21) working days from the date the order is received by the Site Manager.

a. This allows fourteen (14) days for production and seven (7) days for delivery.

b. The delivery due date may be shortened in accordance with the customer needs when agreed upon by the Site Manager and CSM.

c. Extensions for the due date on standard products must be agreed to by the customer and approved by the CSM.

iv. Custom products are specialty items and may have an extended due date.

a. The CSM shall contact the Site Manager prior to setting the product due date with the customer.

b. Reasonable steps shall be taken to complete the order when the customer indicates the order is needed on a short time line to complete the order.

c. Once a due date is agreed upon, the sales order shall be entered into the approved tracking software.

v. If it is determined that an order cannot be produced to meet the customers deadlines, the order shall not be accepted.

4. Order Placement/Sales Orders

i. Orders shall be placed with the CSM (or BSO Supervisor). No orders shall be accepted for a product that required additional equipment to manufacture without first receiving approval and ensuring funding exists in the current budget for purchase of all equipment to manufacture the product, including small tools and additional raw materials.

a. An approved purchase order (PO) or written request shall be received from the customer to initiate the ordering process.

b. Internet orders shall be converted into sales orders by the CSM or designee.

c. In the event a quote was requested and approved, a purchase order or written request from the customer is still necessary for proof that the customer agrees to the purchase.

ii. The BSO shall issue a sales order (SO).

a. All S.O.s shall be handled in accordance with WBI Operational Procedure #5.100, *Sales Order Processing*.

5. Purchasing Materials.

i. Purchasing practices for WBI are a bifurcated function. The purchase of those raw materials used by more than one CAC shall be centralized to the Business Manager who may delegate this function. Bulk purchasing provides the greatest opportunity for cost containment. For all non-centralized purchasing, Shop Supervisors shall complete WBI Form #5120, *Purchase Order Request Form*.

a. Purchasing of raw materials shall be handled in accordance with WBI Operational Procedure #5.200, *Purchase Order Process.*

ii. The CI Business Manager shall review the purchase order (and the accompanying WDOC Form #130 if applicable) and shall obtain additional authorization from Central Office as necessary.

a. If the PO is not approved, the Shop Supervisor shall be notified.

iii. Upon approval, the order for materials shall be placed.

a. The CI Business Office shall place all orders for materials over two thousand, five hundred dollars ($2,500.00), and shall notify the shop supervisor of the estimated delivery date of the order.

b. The Shop Supervisor/ Site Manager may place orders for materials less than two thousand, five hundred dollars ($2,500.00) through use of a purchasing card (P-card).

(1) Invoicing, receiving, approved purchase orders and P-Card statements must be maintained and attached to monthly statement reports.

(2) At the end of the monthly billing cycle all invoices, receipts, packing slips shall be submitted with the P-Card statement.

(3) The CI Manager may limit P-card purchases if necessary.

c. If materials are not able to be delivered to the facility within the established time frame for completing an order (*e.g.*, materials are out of stock from the vendor), the Site Manager/Shop Supervisor must notify the Marketing and Sales Manager within one (1) working day of the knowledge or notification of delay. The Marketing and Sales Manager or designee shall then notify the customer.

d. All POs that have not been fulfilled within ninety (90) days of approval shall be reviewed by the BSO and after consulting with the Site Manager/Shop Supervisor, either cancelled or extended for an additional ninety (90) days.

E. Product Quality Control

1. Each industry operating unit shall have a written quality control procedure that provides for raw material, in-process, and final product inspection. (ACI 4-4459)

i. Each Site Manager shall ensure all aspects of WB Operational Procedure #5.500, *Quality Control Process* are adhered to.

F. Shipping. CI staff shall follow shipping ~~procedures~~ practices to ensure that orders are being delivered in a timely manner and that proper documentation of this process is received by CI Business Support Office and CI Business Office.

G. Invoicing. The BSO shall utilize an efficient invoicing system that is consistent throughout all facilities.

1. The BSO is responsible for invoicing packing slips received by the Site Manager or Shop Supervisor.

2. Invoices shall be created once a completed sales order and packing slip are received. Invoicing must occur within one (1) working day from receipt of packing slip.

i. The BSO shall send unpaid invoices to customers at the end of each month.

a. In the event an invoice is over three (3) months past due, it shall be forwarded to the WDOC Fiscal Manager for assistance in collection. In consultation with the WDOC Fiscal Manager, the CI Manager will make the "bad debt" write off decision or decide to turn the debt over for collections.

ii. All invoicing and billing questions from customers shall be handled by the CI Business Office and/or the CI Business Support Office.

a. In the event staff receive inquiries about billing, they should be directed to contact the CI Business Manager (or designee).

~~**H.**~~ **Inventory Transfer Requests.** All inventory transactions shall be handled in accordance with WBI Operational Procedures #5.300, *Inventory Control Process* and #5.310, *Inventory Counting Process*.

I. Additional CI Business Office Responsibilities

1. The CI Business Office shall provide an effective method for monitoring and collecting accounts payable (A/P);

i. A/P reports indicating account aging/status shall be issued to the CI Manager monthly.

ii. CI shall follow State of Wyoming Statutes to have all A/P paid within sixty (60) days of invoice or receipt of goods.

2. The CI Business Office shall produce timely and accurate financial reports for review in accordance with GAAP.

i. At a minimum, the CI Business Manager shall issue monthly statements for each industry shop.

ii. At a minimum, the CI Business Manager shall issue an end of year balance sheet for CI operations.

iii. The CI Business Manager shall prepare an annual inventory to accurately account for all fixed and non-fixed assets, raw materials, work in progress and finished goods based on figures provided**.** (2-CI-6E-3, 2-CI-6E-7)

iv. CI shall adhere to State of Wyoming budgets and budgeting procedures.

v. Annual revenue and expense projections shall be developed for each industry shop and CI operations as part of the annual CI budget process. (2-CI-6E-2)

J. Customer Complaint Reports (CCRs)

1. Customer complaints regarding WBI products or services shall be addressed by any WBI employee. Each customer complaint received by a WBI employee shall be handled in accordance with WBI Operational Procedure #5.500, *Quality Control Process*.

K. Audit and Production Review

1. There is an independent financial audit that is conducted annually, or at a time period stipulated by applicable statute or regulation, not to exceed three years (2-CI-6E-4). WBI shall be subjected to an external financial audit conducted by the WDOC Fiscal Department annually.

2. Each CAC shall be audited annually using a standardized audit instrument which is based on the ACA performance standards for CI.

i. A report of the finding shall be completed and forwarded to the WDOC Audit and Compliance Manager who will, in turn, send it to the Warden of the facility.

ii. The facility Warden and CI Manager shall be responsible to ensure a corrective action plan is developed for each audit deficiency when requested.

3. Trained CI staff may assist with in the annual audit but shall not be from the facility receiving the audit.

4. Based on customer complaint reports, department fiscal review, and quality improvement standards, additional reviews may be conducted by assigned staff to increase product quality and production performance.

i. Facilities shall be notified of a review for performance of a given area in advance.

a. Documentation shall be forwarded to the facility for review and consideration

b. Quality improvement reviews may be completed during site visits/inspections.

V. TRAINING POINTS

A. When are *WY Brand Industries Weekly Reports* due, and where are they sent?

B. What is the procedure for placing an order for products/service with CI?

C. What are the requirements for annual review of CI Operations?