

State of Rhode Island and Providence Plantations

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November 6, 2014

Mr. A.T. Wall
Director
Department of Corrections
40 Howard Avenue
Cranston, Rhode Island 02902

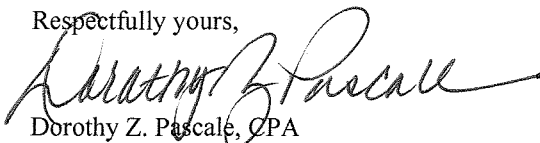
Dear Director Wall:

The Bureau of Audits has completed its audit of the Rhode Island Department of Corrections. The audit was conducted in accordance with Rhode Island General Law (RIGL) §35-7-3. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

RIGL §35-7-3(b), entitled Audits performed by bureau of audits, states that, "Within twenty (20) days following the date of issuance of the final audit report, the head of the department, agency or private entity audited shall respond in writing to each recommendation made in the final audit report." Accordingly, management submitted its response to the audit findings and recommendations on November 3, 2014, and such responses are included in this report. Pursuant to this statute, the Bureau may follow up regarding recommendations included in this report within one year following the date of issuance.

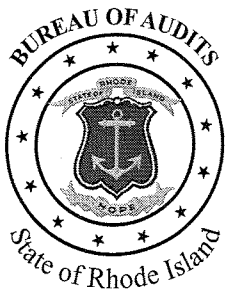
We would like to express our sincere appreciation to Joseph Flaherty and the Correctional Industries staff for the cooperation and courtesy extended to the members of our team during the course of this audit.

Respectfully yours,



Dorothy Z. Pascale, CPA
Chief

c- Steven Hartford, Director, Department of Administration
Honorable Daniel DaPonte, Chairperson, Senate Committee on Finance
Honorable Raymond Gallison, Chairperson, House Finance Committee
Dennis Hoyle, CPA, Auditor General
Thomas Mullaney, Acting Director, Office of Management and Budget
Charles Fogarty, Director, Department of Labor and Training



Executive Summary

Why the Bureau Did This Review

This audit was performed as a result of the Bureau's annual risk-based evaluation. The purposes of this engagement are:

1. To assess Correctional Industries' effectiveness in providing marketable skills to inmates.
2. To assess the efficiency of the Correctional Industries' business operations.

Background Information

Correctional Industries is a self-sustaining, customer focused agency that provides inmates productive work, training, and skill development opportunities to reduce recidivism rates at the State of Rhode Island Department of Corrections.

Correctional Industries programs reduce inmate idleness and teach marketable job skills needed for successful re-entry into society while providing goods and services to state departments and agencies, local universities, municipalities, and non-profit organizations.

Correctional Industries operates several programs:

1. Garment manufacturing
2. Auto body
3. Furniture manufacturing, carpentry and upholstery
4. License plate manufacturing and metal fabrication
5. Printing

Additionally, Industries operates work crews that provide janitorial, landscape, moving, and painting services.

The Bureau Recommends ...

- Developing and implementing a strategic plan that includes job market skills analysis
- Aligning performance metrics with strategic plan
- Integrating formal apprenticeships and certifications into shop training programs
- Aligning incentives with other rehabilitation programs
- Redesigning the raw materials purchasing process to remove redundancy and improve controls
- Investing in information technology improvements by:
 - Developing a web portal and on-line catalog
 - Implementing a job costing and scheduling software
 - Enhancing managerial reports

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Objectives

The Bureau of Audits (Bureau) conducted an audit of the State of Rhode Island Department of Corrections (DOC) Correctional Industries program. The purpose of this engagement was to assess the:

1. Effectiveness of promoting and achieving the program mission
2. Efficiency of program operations

Methodology and Scope

Our standards require that we plan and conduct our audit to adequately assess those operations we include in our audit scope. Further, these standards require that we understand the program internal control structure and its compliance with the laws, rules, and regulations that are relevant to operations. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting system and applying such other auditing procedures as we consider necessary in the circumstances.

The Bureau examined records and activities for the audit period July 1, 2010, through June 30, 2014. Our audit procedures were conducted during June and July 2014. Specifically, we performed the following:

Mission

- Assessed strategic planning goals and objectives
- Reviewed academic publications in the field of prison industries
- Evaluated inmate incentives
- Identified markets for new Industries programs

Operations

- Interviewed responsible staff and performed walkthroughs of office and shop procedures
- Assessed efficiency of order process and payment practices
- Assessed the cash controls, collections, and reconciliations
- Reviewed accounting practices
- Reviewed revenue and expense allocation in the accounting system
- Evaluated the agency's expenses in relation to revenue generation
- Evaluated shop quote development, pricing practices, and job costing
- Reviewed the agency's marketing efforts

Background

Prison Industry Programs Reduce Recidivism on a National Level

Recidivism refers to a person's relapse into criminal behavior after receiving sanctions or undergoing intervention for a previous crime. "Recidivism is measured by criminal acts that resulted in re-arrest, reconviction, or return to prison with or without a new sentence during a three-year period following the prisoner's release."¹

Employment is a critical factor in reducing recidivism.² A number of studies have shown that offenders who participated in prison industry programs have lower recidivism rates and higher post release employment rates as compared to offenders who did not participate in prison industry programs.³

Rhode Island Correctional Industry Program

Mission

The Department of Corrections operates a prison industries program, Correctional Industries (CI), as part of Institutional Rehabilitation and Population Management. The program operates in accordance with Rhode Island General Law (RIGL) §13-7, *Prisoner Made Goods*. This statute authorizes Correctional Industries to provide goods and services to state agencies, cities, towns, and non-profit organizations.

The mission is:

To produces quality salable goods and services for all state agencies, municipalities, and nonprofits, while remaining financially self-supporting, and the same time create a world of work atmosphere employing inmates in marketable skills.

Operations

During fiscal year 2014, the average total male inmate population was 3,214; of which CI employed an average of 141 inmates from three of the seven facilities.⁴ This represents about 7.4 percent of the male inmate population at those three men's facilities, and 4.4 percent of the total inmate population. The program employs eleven civilian vocational staff and five civilian administrative staff to support operations.

¹ "Recidivism." National Institute of Justice. N.p., n.d. Web. 30 July 2014.

<<http://www.nij.gov/topics/corrections/recidivism/Pages/welcome.aspx>>.

² Evans, Michael. "Does Participation in Washington's Correctional Industries Increase Employment and Reduce Recidivism?." Washington State Department of Corrections: n. pag. Web. 30 July 2014.

³ Wilson-Gentry, Laura , Richard Smith, Angie Patrick, Jennifer Bechtel, and Cindy Smith. "Correctional Industries Preparing Inmates for Re-entry: Recidivism & Post-release Employment." U.S. Department of Justice, National Institute of Justice, Office of Justice Programs: n. pag. Web. 30 July 2014.

⁴ Inmate population is classified among seven DOC facilities as follows: intake service center, minimum, medium, maximum, high security, women's 1, and women's 2. Correctional Industries operates shops at three DOC facilities: minimum, medium, and maximum.

CI operates shops and work crews. Work crews provide services to state departments and agencies. These shops and work-crews include:

Shops

- Clothing and linen manufacturing
- Auto body repair
- Furniture manufacturing, carpentry, and upholstery
- License plate manufacturing
- Printing

Work Crews

- Janitorial services
- Landscape services
- Moving assistance
- Painting services

Inmates Participating in Correctional Industries by Fiscal Year

Shop	Fiscal Year	
	2012	2013
License Plate & Metal Fabrication	16	23
Quick Print	0	0
Maximum Print	13	13
Carpentry/Upholstery/Furniture	32	25
Garment Shop	8	18
Auto body	20	19
Contract Services	36	33
Industries Office	3	3
Total Inmates Employed	128	134

Customer Base

CI's largest customers are State agencies, colleges and universities. CI's largest unit is the medium security facility carpentry, upholstery, and furniture manufacturing shop which generated a three fiscal year average annual revenue of \$2,175,331.

Recommendations for Improvements and Management Responses

Program Mission

While Correctional Industries operates as a business, the purpose of the program is to provide job training and cooperative social interaction. Throughout the audit, program management consistently expressed their desire to provide a safe, productive, and challenging environment which will empower inmates to become productive members of society.

Although program management strives to achieve its mission, a strategic plan with concise goals and long term vision to guide management was absent during our field work. The Bureau identified the following areas which may improve the achievement of the program mission and assist in establishing a strategic plan. A strategic plan and business plan was presented to the Bureau on August 21, 2014.

Create a Strategic Plan with Concise Goals and Objectives

A formal strategic plan should be in place to set priorities, ensure that CI employees work toward common goals, react to changes in the job skill market, and achieve long term objectives. Some key elements of a strategic plan may include:

- Organizational vision, mission, goals, objectives, and values
- Job market analysis
- Identification of organizational strengths and weaknesses
- Specific short and long term plans to meet goals and objectives
- Performance measures to specifically define goals and objectives

CI provide DOC senior management with an annual operational narrative regarding sales, total CI employment, and marketing goals and objectives. The narrative does not address mission goals and objectives, or include performance measurements. The current planning document is retrospective in nature and could be improved by performing a job market analysis and providing short- and long-term plans for future growth and sustainability.

A strategic plan will assist management to identify goals and objectives consistent with the program mission and establish a timeline for implementation that is consistent with available resources. It would also provide the opportunity to evaluate the level of achievement of mission and work-based goals and objectives. This document should be included in the Department's overall strategic plan which is due on September 1, 2014, and mandated through the budget process.

Recommendations:

1. Develop a formal strategic plan and include the following elements:
 - Organizational vision
 - Identification of organizational strengths and weaknesses
 - Specific short- and long-term plans to meet goals and objectives
 - Performance measures to specifically define mission goals and objectives

Note: A strategic plan document was presented to the Bureau of Audits on August 21, 2014. The plan incorporates all components listed at Recommendation 1 above with the exception of performance measures.

2. Coordinate with the Office of Management and Budget, Performance Management group to create performance measures that align with the strategic plan.
3. Perform periodic analysis of the job market to assess the demand for job skills and training; adjust work-based programs accordingly.

Management responses: RIDOC will create a RFP for dissemination to local colleges for the creation of a complete business strategic plan. This plan will include organizational vision, identification of strengths and weaknesses, specific short and long term plans to meet goals and objectives, performance measures aligned with goals and objectives, and formation of a processes to regularly assess program performance and cost-effectiveness and perform periodic job market analysis to success demand and adjust programs.

Responsible Party: #1 - #3 Gina Caruolo, RIDOC Project Manager
RIDOC staff to include Joseph Flaherty, Anne Petit

Completion Date: July 1, 2016

Create Apprenticeships and Certification Programs

Many state and federal correctional institutions throughout the country have successfully offered apprenticeship and certification programs for many years. For example, the Colorado DOC has operated a formal apprenticeship program since 1988, and the Federal Bureau of Prisons offers formal apprenticeship certificates through its UNICOR program in partnership with the U.S. Department of Labor. These institutions have had success with apprenticeship programs for auto body repair, upholstery, and carpentry; DOC offers all three of these programs as part of CI.

CI currently teaches these skills to inmates, however, it does not have a formal apprenticeship program in place. Management has not identified apprenticeships as a priority for inmates participating in the CI program.

An apprenticeship certification may provide additional incentives for inmate participation in the CI program. Refer to *Align Inmate Incentives* below. Also, an apprenticeship/certification provides inmates with a formal credential that may be used to obtain post-release employment.

Recommendation:

4. Coordinate with the Department of Labor and Training to establish formal apprenticeship programs and job training certificates for inmates participating in the Correctional Industries program.

Management Response: On 10/22/14 RIDOC staff met with Bernie Treml from DLT to discuss this item. Staff from the Bureau from Audits also attended the meeting. All agreed to further pursue this initiative and in fact RIDOC staff is actively pursuing apprenticeship descriptions from other states and providing that documentation to DLT. DLT advised recommendation is feasible.

Responsible Party: Gina Caruolo, RIDOC Project Manager
RIDOC staff to include Joseph Flaherty, Anne Petit

Completion Date: 12/31/2015

Align Inmate Incentives

As discussed in the introduction to this report, participation in prison industry programs has been shown to be effective at reducing recidivism and aiding inmates in obtaining post-release employment. Since participation in RIDOC rehabilitative and work programs is voluntary, adequate incentives should be provided to encourage inmate participation.

Under the current statutory incentive model, earned time incentives to inmates participating in CI programs are less than the incentives available to inmates participating in non-CI vocational programs. CI participants are limited to two days of “earned time” per month; whereas inmates in vocational programs can earn up to five days of “earned time” per month, plus an additional thirty days upon program completion.⁵

As a result, inmates may choose to not to participate in Correctional Industries.

Recommendation:

5. Align earned time incentives for Correctional Industries to be consistent with other vocational training programs.

Management response: RIDOC staff, including the Chief Legal Counsel, has been actively pursuing this initiative which will necessitate tracking in RIDOC’s Transition from Prison to Community (TPCDS) database. Staff in CI and others in Rehabilitative Services have been involved in this discussion.

Responsible Party: Gina Caruolo, RIDOC Project Manager
RIDOC Staff to include Kathleen Kelly/Joseph Flaherty/Ken Findlay

Completion Date: 6/30/2015

⁵ RIGL 42-56-24 *Earned time for good behavior or program participation or completion*

Program Operations

Correctional Industries is a self-sustaining program that has not received a general revenue appropriation in recent years since it historically generated sufficient cash to fund operations. As noted in the *Background* section, CI operates five shops and four types of work-crews.

Process inefficiencies, coupled with limited technology and financial decision-making information, has contributed to the erosion of the available cash balance. CI began fiscal year 2011 with a cash position of approximately \$1,307,000. The agency ended fiscal year 2014 with available cash for operations of \$42,936. The following three process inefficiencies contributed to the decrease in available cash for the four year period ending June 30, 2014:

1. Delayed cash collections
2. Complex procurement approval processes
3. Informal job costing and quoting

Streamline Order Processing to Accelerate Cash Payment Increasing Cash Position

Efficient business processes minimize processing time, promote the cash conversion cycle, and ensure the agency has an adequate level of working capital to support operations. The shorter the cash conversion cycle, the less time capital is tied up in the business process.

As noted in the program operations opening paragraph, the cash reserves of CI have continually decreased over the four-year period reviewed. This erosion of cash is directly related to the payment settlement process.

Correctional Industries, as a vendor, sells goods to State agencies through a purchase order or an inter-fund process known as "Request for Delivery." The payment methodology for each of these processes differs:

- "Requests for Deliveries" are settled as inter-fund transfers
- Purchase orders follow the normal vendor payment process⁶

The length of time to collect payments from job orders was analyzed for fiscal year 2014. It was determined payment from a "Request for Delivery" sale averaged 44 days longer than payment for a purchase order sale. Discontinuing the "Request for Delivery" methodology and processing all orders through the normal vendor payment process will accelerate payment collection and increase receivable turnover.

⁶ Normal vendor payments are processed through the ISupplier Portal. This portal is a State accounting system module which "enables secure, self-service business transactions between companies and their suppliers. It provides suppliers with the ability to use a standard web browser to directly manage business transactions and access secure information."

Additionally, payment terms for Correctional Industries (as a vendor) were set to “Net 30.” Therefore, CI received all approved invoice payments on the 30th day following invoice approval. Changing payment terms from “Net 30” to “Immediate” accelerated the collection of receivables.

Note: *Upon communication from the Bureau, and prior to report release, the agency corrected the payment terms portion of this issue. The Office of Accounts and Control applied “Immediate” payment terms on June 27, 2014. As a result, the program’s cash position improved from \$42,936 as of June 30, 2014 to \$809,395 as of July 31, 2014.*

Recommendation:

6. Require all state department and agency orders to be processed via a purchase order.

Management response: The Department has made a request to the Department of Administration to issue purchase orders in lieu of utilizing the A31 form for all Correctional Industries orders. There has been a preliminary positive response from the State Purchasing Agent and a meeting is being scheduled to discuss this in further detail.

Responsible Party: Gina Caruolo, RIDOC Project Manager
RIDOC Staff to include Joanne Hill/Joseph Flaherty

Completion Date: 6/30/2015

Enhance Management Information

Management must have timely information to identify trends in product demand and the factors of production and determine cost-recovery and efficiency. Timely and accurate recognition of revenue and expenses are essential to provide management with an accurate depiction of each shop’s performance.⁷

CI maintains all sales data in the sub-ledger database⁸ using a unique shop code. Monthly sales and accounts receivable reports generated from the sub-ledger database are reviewed by CI and DOC Central Management personnel. However, since expense data is not recorded in the sub-ledger database, the monthly reports reviewed by management do not provide a complete picture of each shop’s financial performance.

Both revenue and expense data are maintained in the state general ledger (RIFANS). However, historically, Correctional Industries’ revenue recognition in the state general ledger has not been timely; for the four-year period reviewed, fiscal year 2011 through 2014, an average of 28percent of revenues were not recognized in the state general ledger until fiscal year end.

⁷ Revenue should be recognized when realized or realizable and earned, (i.e. an order has been delivered, or a work crew has performed all of the work it was contracted to perform). GASB Codification, Part I. General principles, Section 1600 Basis of Accounting, “Accrual Basis in Proprietary Fund Statements”, part .130-131 [GASB 34, ¶192 as amended by GASBS 63 ¶18]

⁸ At the date of issuance, Correctional Industries was using File Maker Pro version 9.

The current method to record shop financial data is not in a form that allows management to generate timely and complete financial performance reports. The information is dissected between two systems which do not communicate. As a result, management is unable to:

- Readily determine the financial position of each shop
- Analyze shop sales and expense trends
- Evaluate operational and program outcomes
- Determine cost recovery break-even amounts
- Monitor program financial position
- Make informed operational and policy decisions

Recommendations:

7. Develop a methodology to allocate revenues and expenses among shops in a single database.
8. Central Management should compile monthly shop financial performance reports.
9. Regularly assess program performance and cost-effectiveness.

Management responses:

#7 RIDOC will explore information technology improvements including development of a web portal which will incorporate an on-line catalog, job costing and product ordering, job production scheduling software and enhancing managerial reports. RIDOC MIS will work with Correctional Industries to articulate specific needs and craft a proposal to RI.gov, the contractor that designs and implements all state websites. Once that estimate has been obtained RIDOC will apply to the IT Investment Fund for support since these projects were not included in the department's FY16 budget request.

Responsible Party: #7 Gina Caruolo, RIDOC Project Manager
RIDOC Staff to include Michelle Lanciaux/Joseph Flaherty

Completion Date: #7 12/31/2016

#8 The Department will explore the feasibility of providing monthly shop financial reports; however, this is dependent upon an upgrade to the existing FileMaker Pro system. This will also require the categorization and identification of all expenses through RIFANS' cost center process

The development of cost centers is targeted for 3/31/2015. The upgrade of the existing software would be required for full implementation of financial performance reports. In the interim, the Financial Resources Unit will provide quarterly financial reports which will be based upon the cost centers established in the RIFANS system and revenue data from the FileMaker Pro system obtained from Correctional Industries staff.

Responsible Party: #8 Gina Caruolo, RIDOC Project Manager
RIDOC Staff to include Joanne Hill

Completion Date: #8 12/31/2015

#9 RIDOC will create a RFP for dissemination to local colleges for the creation of a complete business strategic plan. This plan will include organizational vision, identification of strengths and weaknesses, specific short and long term plans to meet goals and objectives, performance measures aligned with goals and objectives, and formation of a process to regularly assess program performance and cost-effectiveness and perform periodic job market analysis to success demand and adjust programs.

Responsible Party: #9 Gina Caruolo, RIDOC Project Manager
RIDOC staff to include Joseph Flaherty

Completion Date: #9 12/31/2016

Redesign the Raw Materials Approvals Process

In order for a business to be sustainable, processes and procedures should be designed to limit waste and focus on efficiency. Controls should be implemented to provide assurance to management that goals and objectives are met; however, the cost of the controls should not outweigh the benefits. CI is moving in the right direction by obtaining agency purchase agreements (APA) with its most frequently used vendors. Eighty-four percent (84%)⁹ of FY 14 purchases were from APA vendors; however, the current approval processes noted below prevents CI from realizing efficiencies through the use of the APAs.

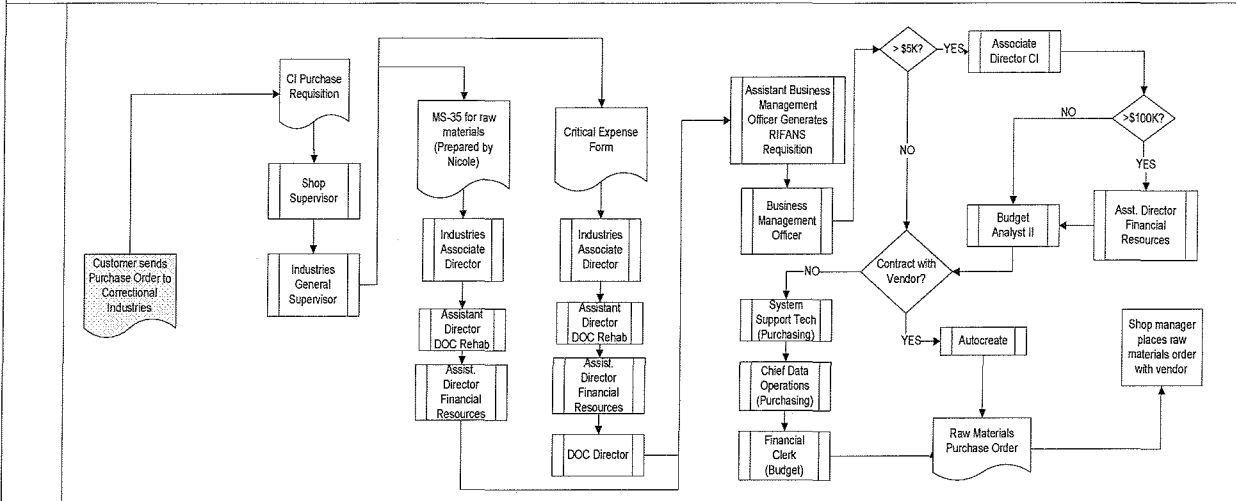
The current purchasing controls over raw materials do not align with the level of risk associated with the transactions. Raw materials may be purchased either through a purchase order or by a purchase card. Several layers of required approvals hinder CI from quickly obtaining raw materials essential to operations.

Raw Material Requisition Process via Purchase Order

CI deploys just-in-time inventory methodology. Upon receipt of a customer order, CI begins the raw materials requisition process. The following chart depicts the CI process.

⁹ Total APA raw material purchases for FY14 were \$1.9M out of total purchases of \$2.3M.

Current Correctional Industries Purchase Order Approval Process

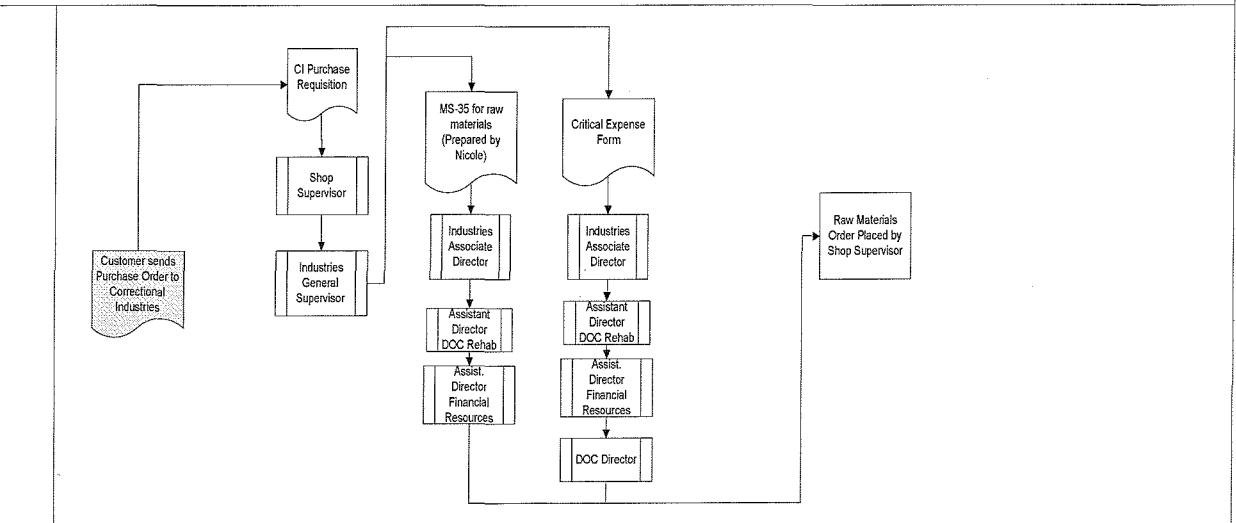


The process diagramed above is cumbersome and does not provide sufficient internal control over raw materials requisitions and duplicates the authorizations obtained by the requisitioning department or agency. Additionally, the current approval requirements increase lead time for processing customer orders by as much as 14 days.

Raw Materials Requisitions via Purchase Card

When using a purchase card to buy raw materials, CI is required by DOC management to obtain an MS-35 "Internal Requisition" and Critical Expense Request Form (CERF) signed by CI, DOC Institutional Based Rehabilitation, and the DOC Central Management office. The chart below depicts the complete current Correctional Industries purchase card approval process.

Current Correctional Industries Purchase Card Approval Process



This process duplicates the authorizations already obtained by the requisitioning department or agency for finished goods from CI.

Purchase card credit limits are established by DOC Central Management and transactions are reviewed monthly by the Office of Accounts and Control. Therefore, the risk of loss associated with purchase card acquisitions are low and does not warrant the amount of time currently allocated.

Recommendations - DOC:

10. Redesign the approval process for raw material purchases to minimize lead times and maintain controls.
11. Discontinue the use of the MS-35 for raw material purchases at CI.

Management responses: The Department agrees with this assessment and will begin to establish releases for larger contract purchases and have Correctional Industries' staff begin order entry directly into the RIFANS system. At this point, there are no hierarchy changes that would be immediately required. Additional training for CI staff may be required and will be scheduled in cooperation with the Department of Administration.

Responsible Party: #10 Gina Caruolo, RIDOC Project Manager
RIDOC Staff to include Joanne Hill, Joseph Flaherty

#11 Gina Caruolo, RIDOC Project Manager
RIDOC staff to include Joanne Hill

Completion Date: #10 06/30/2015
#11 06/30/2015

Recommendation – DOA Budget Office:

12. Review requirement for the "Critical Expense Request Form" from state department or agencies when requisitioning goods from Correctional Industries.

Management response: The Budget Office is working with the Department to explore terminating the need for the CERF when state department and agencies utilize a RIFANS purchase order to buy goods from Correctional Industries.

Responsible Party: Wayne Hannon, Deputy Budget Officer

Completion Date: June 30, 2015

Implement Mitigating Cash Controls

The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same transaction.

In general, the principal incompatible duties to be segregated are:

- Custody of assets
- Authorization or approval of related transactions affecting those assets
- Recording of related transactions
- Reconciliation of associated accounts

The process in place at Correctional Industries charges the same individual with both the cash custody (receipt) and recording functions. The consolidation of these incompatible duties appears to be a result of limited resources. Additionally, there is no reconciliation of sub-ledger and general ledger balances. As a result of these control weaknesses and the system control deficiencies referenced at *Improvements to Information System Controls*, it is possible that accounting errors could occur and remained undetected by management.

Mitigating controls should be implemented to ensure accuracy of financial information and increase controls over processing.

Recommendation:

13. DOC Central Management Office should reconcile sub-ledger month end production reports to the general ledger to ensure that all transactions are completely and accurately recorded.

Management response: The Department agrees with this assessment, however, this is dependent upon an upgrade to the existing FileMaker Pro system. In the interim, CI will be required to categorize and identify all expenses through RIFANS' cost center process.

Responsible Party: Gina Caruolo, RIDOC Project Manager
RIDOC Staff to include Joanne Hill, Deborah Marisi, Denise Boyle

Completion Date: The development of cost centers is targeted for 3/31/2015. The upgrade of the existing software would be required for full implementation of sub-ledger month-end reconciliations. In the interim, the Financial Resources Unit will provide quarterly reconciliation reports which will be based upon the cost centers established in the RIFANS system and revenue data from the FileMaker Pro system obtained from Correctional Industries staff.

Investment Technology Initiatives

Develop a Web Portal & Online Catalog

Web-based e-commerce has become a standard business practice. Customers expect ease when searching for product details, prices, and availability. However, at Correctional Industries this convenience is not currently available due to limited investment in technology resources. Customers must schedule appointments with marketing personnel to review available products, obtain job quotes, and place orders. Marketing staff spends substantial time quoting standard products and meeting with clients to prepare customer orders. Additionally, the marketing staff does not have remote access to information systems and product data; therefore, price lists, catalogs, and product samples, must be physically transported to customer locations.

Much of this work could be automated if customers had access to online catalogs and ordering. With on-line capability, customers could review products and pricing, place orders, and submit payment through an online point-of-purchase payment system. Additionally, website integration with existing information systems could streamline processes by uploading customer order data directly to the invoicing and accounting systems.

Historically, web services have been a low priority for program management. Limited technology knowledge and funding available to CI for web development has prevented the advancement of a robust web services project. Although such a project may present a substantial up-front cost, long-term benefits in the form of reduced administration costs, increased marketing exposure, and expedited order processing would be expected.

Recommendations:

14. Develop a website with an online catalog, product ordering, and point of purchase payment capabilities.
15. Integrate the website with the accounting system and the job order system.

Management responses:

RIDOC will explore information technology improvements including development of a web portal which will incorporate an on-line catalog, job costing and product ordering, job production scheduling software and enhanced managerial reports. RIDOC MIS will work with Correctional Industries to articulate specific needs and craft a proposal to RI.gov, the contractor that designs and implements all state websites. Once that estimate has been obtained RIDOC will apply to the IT Investment Fund for support since these projects were not included in the department's FY16 budget request.

Responsible Party: #14 Gina Caruolo, RIDOC Project Manager
RIDOC Staff to include Michelle Lanciaux, Joseph Flaherty

#15 Gina Caruolo, RIDOC Project Manager

RIDOC staff to include Michelle Lanciaux, Joseph Flaherty

Completion Date: #14 12/31/2016
#15 12/31/2016

Formalize Job Costing and Implement Job Shop Application Software

In order to properly price jobs and ensure profitability, shop managers must utilize raw materials cost data, overhead expenses, and labor rates to calculate the cost recovery point. The cost recovery point should be a key factor to determine the product or service retail price. Rhode Island General Law (RIGL) §13-7-10, *Price of Goods*, stipulates CI sell goods at or near wholesale value. As such, management must ensure that goods can be produced economically at or near wholesale value prior to accepting orders.

Correctional Industries does not have a formal job costing system. Shop overhead expenses and raw materials cost data are not maintained in a form that allows management to readily calculate the cost recovery point. The CI customer quote practices rely upon shop managers personal knowledge and experience. The Bureau was unable to gather sufficient relevant evidence of wholesale value and cost recovery point calculation when supplying the customer with a quote for goods or services.

In order to develop a customer quote, management should utilize raw materials cost data, overhead, and direct labor rates to calculate the cost recovery point. Actual costs should be used to determine whether the jobs can be performed at or near the cost recovery point and at or near wholesale value to comply with RIGL§13-7-10, *Price of Goods*.

Recommendations:

- 16. Develop formal costing system.
- 17. Consider the use of job shop application software for customer quotes.

Management responses: #16 The Department agrees with this assessment, however, this would take a significant effort to determine what options are available for job-costing software or if there are modules available that could be integrated into the FileMaker Pro system.

Responsible Party: Gina Caruolo, RIDOC Project Manager
RIDOC staff to include Joanne Hill, Joseph Flaherty

Completion Date: 12/31/2016

Management Response: #17 RIDOC will explore information technology improvements including development of a web portal which will incorporate an on-line catalog, job costing and product ordering, job production scheduling software and enhanced managerial reports. RIDOC MIS will work with Correctional Industries to articulate specific needs and craft a proposal to RI.gov, the contractor that designs and implements all state websites. Once that estimate has been obtained RIDOC will apply to the IT Investment Fund for support since these projects were not included in the department's FY16 budget request.

Responsible Party: Gina Caruolo, RIDOC Project Manager
RIDOC staff to include Michelle Lanciaux

Completion Date: 12/31/2016

Establish Production Scheduling Methodology Utilizing Existing Software
Scheduling Production and Considering Available Human Resources

As noted previously in this report, CI competes with other prison work-based programs for available human resources. This disrupts the production scheduling of goods or services. Management should utilize a production schedule which identifies available work hours based upon inmates participating in the program to plan and track goods or services production and to ensure maximum capacity utilization. The system should assign jobs to available work hours and track job progression to ensure compliance with delivery deadlines.

Job Order Scheduling

CI does not have a formal process for shop order scheduling and tracking. The current production practice is to process orders on a first-in, first-out basis. Management personnel and shop supervisors' abilities to monitor and communicate order status among staff or customers are limited because of this informal process. Formalizing job order scheduling would provide management with the ability to schedule and track production, and communicate accurate information to the customer.

Recommendation:

18. Formalize production scheduling and production status communication.

Management response: RIDOC will explore information technology improvements including development of a web portal which will incorporate an on-line catalog, job costing and product ordering, job production scheduling software and enhancing managerial reports. RIDOC MIS will work with Correctional Industries to articulate specific needs and craft a proposal to RI.gov the contractor that designs and implements all state websites. Once that estimate has been obtain RIDOC will apply to the IT Investment Fund for support since these projects were not included in the department's FY16 budget request.

Responsible Parties: Gina Caruolo, RIDOC Project Manager
RIDOC Staff to include Michelle Lanciaux, Joseph Flaherty

Completion Date: 12/31/2016

Improvements to Information System Controls

In accordance with RIGL §35-7-15, *Audit of Information Security Systems*, the details of this finding have been redacted from the public report and communicated to management.