

PERFORMANCE AUDIT
OF THE
BUREAU OF CORRECTIONAL INDUSTRIES
DEPARTMENT OF CORRECTIONS

June 2003



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Report Number:
 47-130-02

Bureau of Correctional Industries

Department of Corrections

Released:
 June 2003

The Bureau of Correctional Industries (BCI), Department of Corrections (DOC), employs prisoners to manufacture products and provide services for sale to governmental entities and nonprofit organizations in Michigan and other states. BCI goals include providing meaningful work opportunities for State prisoners, teaching prisoners marketable skills, and giving prisoners work experience.

Audit Objectives:

1. To assess BCI's effectiveness in providing marketable skills to prisoners.
2. To assess the effectiveness and efficiency of BCI's manufacturing operations.

~ ~ ~ ~ ~

Audit Conclusions:

1. BCI was generally effective in providing marketable skills to prisoners.
2. BCI's manufacturing operations were generally effective and efficient.

~ ~ ~ ~ ~

Noteworthy Accomplishments:

BCI significantly improved the profitability of its manufacturing operations during the

four fiscal years ended September 30, 2001. During the period prior to these four fiscal years, BCI had a net loss from operations each year (totaling approximately \$9 million over six years). During fiscal years 1997-98 through 2000-01, BCI had a net profit each year, totaling approximately \$11 million over the four years.

~ ~ ~ ~ ~

Reportable Conditions:

DOC needs to seek amendatory legislation to clarify conflicts in acts governing prisoner reimbursement for cost of care (Finding 1). DOC had not established an evaluation process to measure BCI's success in achieving established goals and objectives (Finding 2). BCI had not periodically updated its business plan (Finding 3). BCI needs to employ economic forecasting for its products and services (Finding 4). BCI needs to develop a comprehensive sales catalog of its

products and services (Finding 5). BCI needs to continue improving its monitoring of customer complaints and providing timely follow-up to resolve complaints (Finding 6). BCI needs to develop and implement a comprehensive preventive maintenance plan (Finding 7).

~ ~ ~ ~ ~

Agency Response:

Our audit report contains 7 findings and corresponding recommendations. DOC's preliminary response indicated agreement with all of the recommendations.

~ ~ ~ ~ ~

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.state.mi.us/audgen/



Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

James S. Neubecker, C.P.A., C.I.A., D.P.A.
Executive Deputy Auditor General

Scott M. Strong, C.P.A., C.I.A.
Director of Audit Operations



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

June 16, 2003

Mr. William S. Overton, Director
Department of Corrections
Grandview Plaza
Lansing, Michigan

Dear Mr. Overton:

This is our report on the performance audit of the Bureau of Correctional Industries, Department of Corrections.

The report contains our description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; a summary of net profit from operations, description of survey, and summaries of survey responses, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objectives. The agency preliminary responses were taken from the agency's response subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

This page left intentionally blank.

TABLE OF CONTENTS

BUREAU OF CORRECTIONAL INDUSTRIES DEPARTMENT OF CORRECTIONS

INTRODUCTION

	<u>Page</u>
Report Summary	1
Report Letter	3
Description of Agency	7
Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up	8

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

Effectiveness in Providing Marketable Skills	10
1. Prisoner Reimbursement	10
2. Evaluation Process	11
Effectiveness and Efficiency of Manufacturing Operations	13
3. Business Plan	13
4. Economic Forecasting	14
5. Sales Catalog	16
6. Customer Complaints	17
7. Preventive Maintenance Plan	18

SUPPLEMENTAL INFORMATION

Summary of Net Profit From Operations	21
Description of Survey	22

Summaries of Survey Responses	
From BCI Customers	23
From Potential BCI Customers	25

GLOSSARY

Glossary of Acronyms and Terms	26
--------------------------------	----

Description of Agency

The Bureau of Correctional Industries (BCI), also known as Michigan State Industries, operates under the authority of the Department of Corrections (DOC), specifically under Sections 800.321 - 800.334 of the *Michigan Compiled Laws*. Section 800.325 of the *Michigan Compiled Laws* created the Correctional Industries Revolving Fund, a self-supporting fund, to account for BCI operations.

BCI operates 34 factories in 16 prisons and 1 camp. Some of the major commodities manufactured or produced by BCI are: office furniture, including desks, chairs, tables, cabinets, and partitions; garments, including prisoner clothing, officer uniforms, shoes, bed linens, towels, and blankets; and other products, including vehicle license plates and tabs, road signs, binders, folders, corrugated cartons, cleaning chemicals, dimensional lumber, eyeglasses, dentures, dairy products, beef products, pork products, and turkey products. BCI also runs four institutional laundry operations, a geographic information system that produces digital maps, a computer refurbishing operation, a furniture refinishing operation, and a print shop.

The products and services are sold to governmental entities and nonprofit organizations in Michigan and other states. Throughout the year, approximately 3,000 prisoners fill approximately 1,500 full-time equated work assignments in these programs. As of September 30, 2001, there were 219 BCI employees at the central office and factories. Fiscal year 2000-01 sales were \$41 million with a net income of \$0.6 million. Fiscal year 1999-2000 sales were \$44 million with a net income of \$6.5 million.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of the Bureau of Correctional Industries (BCI), Department of Corrections (DOC), had the following objectives:

1. To assess BCI's effectiveness* in providing marketable skills to prisoners.
2. To assess the effectiveness and efficiency* of BCI's manufacturing operations.

Audit Scope

Our audit scope was to examine the program and other records of the Bureau of Correctional Industries. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we compiled supplemental information regarding BCI's net profit from operations. Our audit was not directed toward expressing an opinion on the supplemental information and, accordingly, we express no opinion on it.

Audit Methodology

Our audit procedures, conducted from September 2001 through May 2002, included examination of BCI records and activities primarily for the period October 1998 through May 2002.

To establish our audit objectives and to gain an understanding of BCI activities, we conducted a preliminary review of BCI operations. This included discussions with various BCI staff regarding their functions and responsibilities and an analysis of program records, DOC policy directives, and BCI operating procedures. We examined policy and mission* statements, goals* and objectives, strategic plans, annual reports, and statistics. We conducted tests of records to determine compliance with established policies and procedures.

* See glossary at end of report for definition.

To assess BCI's effectiveness in providing marketable skills, we obtained records and information involving prisoners employed in the BCI factories. We reviewed work employment records after prisoners were released. We analyzed the availability of placement functions.

To assess the effectiveness and efficiency of BCI's manufacturing operations, we analyzed financial statement information involving the Correctional Industries Revolving Fund. This included a comparison of data and analysis of information provided for the various factories. We examined sales information for the various products during our audit period and analyzed expenditures and cost of goods sold to determine product line profitability.

We surveyed BCI customers and potential customers regarding their association with and awareness of BCI (see supplemental information).

Agency Responses and Prior Audit Follow-Up

Our audit report contains 7 findings and corresponding recommendations. DOC's preliminary response indicated agreement with all of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussions subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require DOC to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

BCI complied with recommendations related to 3 of the 5 prior audit findings. The other 2 audit findings were rewritten for inclusion in this report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS IN PROVIDING MARKETABLE SKILLS

COMMENT

Background: The Bureau of Correctional Industries (BCI) employs prisoners to manufacture products and provide services for sale to governmental entities and nonprofit organizations in Michigan and other states. BCI goals include providing meaningful work opportunities for State prisoners, teaching prisoners marketable skills, and giving prisoners work experience. Throughout the year, approximately 3,000 prisoners fill approximately 1,500 full-time equated work assignments in these programs.

Audit Objective: To assess BCI's effectiveness in providing marketable skills to prisoners.

Conclusion: We concluded that BCI was generally effective in providing marketable skills to prisoners. However, we noted reportable conditions* related to prisoner reimbursement and an evaluation process (Findings 1 and 2).

FINDING

1. Prisoner Reimbursement

The Department of Corrections (DOC) needs to seek amendatory legislation to clarify conflicts in acts governing prisoner reimbursement for cost of care.

Act 537, P.A. 1996, amended the Correctional Industries Act of 1968 and Section 800.331(1)(c) of the *Michigan Compiled Laws* states that it is the intent of the Act to provide a means for inmates to earn wages for support of their families, reimbursement to the State for part of the cost of their imprisonment, restitution to crime victims, and other purposes consistent with their imprisonment.

* See glossary at end of report for definition.

Section 800.401a(a) of the *Michigan Compiled Laws* (the State Correctional Facility Reimbursement Act of 1935) states that money saved by the prisoner from wages and bonuses paid while confined to a State correctional facility is not included in prisoner assets in determining reimbursement for cost of care. This conflicts with Section 800.331(1)(c) of the *Michigan Compiled Laws*.

DOC did not charge prisoners employed in BCI factories for their cost of care. DOC policy directive 04.02.140 states that DOC shall contact the Collections Division, Department of Attorney General, when a prisoner has an account balance of \$1,500 for possible reimbursement to the State for cost of care.

We identified 40 prisoner account balances in excess of \$1,500, ranging as high as \$12,300, in February 2001 for prisoners who were employed in BCI factories without a deduction for cost of care reimbursement. Earnings paid to the 40 prisoners for the month of February 2001 ranged from \$100 to \$427.

RECOMMENDATION

We recommend that DOC seek amendatory legislation to clarify conflicts in acts governing prisoner reimbursement for cost of care.

AGENCY PRELIMINARY RESPONSE

DOC informed us that it agrees to explore the possibility of clarifying legislation. However, an argument could be made that an "intent" provision in the Correctional Industries Act does not create a conflict between the statutes. Section 800.401a(a) of the *Michigan Compiled Laws* specifically precludes prisoner wages as "assets" collectible under the Act to reimburse the State for the cost of care. Section 800.331(1)(c) of the *Michigan Compiled Laws* indicates the "intent of the Act" but does not specifically include the distribution of wages.

FINDING

2. Evaluation Process

DOC had not established an evaluation process to measure BCI's success in achieving established goals and objectives.

By working for BCI during incarceration, prisoners receive job skills that help them secure gainful employment after being released from prison. BCI has established

related goals and objectives that include providing meaningful work opportunities for prisoners, teaching prisoners marketable skills, and giving prisoners work experience. However, DOC had not established performance indicators* needed for an evaluation process designed to measure BCI's success in achieving its goals and objectives.

One performance indicator might be the percentage of prisoners who obtain gainful employment after being released from prison. Ideally, this percentage would be compared against established program standards. For example, as of September 30, 1999, BCI employed 1,280 prisoners in its factories. Between September 30, 1999 and December 31, 2001, DOC released 208 of these prisoners, of which 47 (23%) were gainfully employed earning at least \$2,500 during a three-month quarter in calendar year 2001. However, without any performance standards, we could not determine the significance of this data in evaluating and measuring BCI's success in meeting its goals and objectives.

An evaluation process that measures success in achieving established goals and objectives provides management with outcome data that is useful in determining whether program revisions need to be implemented to improve success in achieving established goals and objectives.

RECOMMENDATION

We recommend that DOC establish an evaluation process to measure BCI's success in achieving established goals and objectives.

AGENCY PRELIMINARY RESPONSE

BCI informed us that it agrees and will comply by requesting that DOC's Office of Planning and Research conduct a study that measures BCI's success in achieving established goals.

* See glossary at end of report for definition.

EFFECTIVENESS AND EFFICIENCY OF MANUFACTURING OPERATIONS

COMMENT

Audit Objective: To assess the effectiveness and efficiency of BCI's manufacturing operations.

Conclusion: We concluded that BCI's manufacturing operations were generally effective and efficient. However, we noted reportable conditions related to a business plan, economic forecasting, a sales catalog, customer complaints, and a preventive maintenance plan (Findings 3 through 7).

Noteworthy Accomplishments: BCI significantly improved the profitability of its manufacturing operations during the four fiscal years ended September 30, 2001. During the period prior to these four fiscal years, BCI had a net loss from operations each year (totaling approximately \$9 million over six years). During fiscal years 1997-98 through 2000-01, BCI had a net profit each year, totaling approximately \$11 million over the four years.

FINDING

3. Business Plan

BCI had not periodically updated its business plan.

A business plan describes the major characteristics of an entity, such as products and services; industry; market; manner of operating (production, marketing, and management); and financial outcomes with an emphasis on the entity's present and future. A business plan provides an entity with information to guide its operations.

BCI established a five-year business plan in 1995; however, additional multi-year business plans had not been established since. BCI has dealt with day-to-day issues as they have arisen, without the benefit of having an updated business plan. However, BCI has grown considerably since 1995, adding nine factories throughout the State and increasing annual sales by \$15 million. Sound business practices require long-term and short-term plans that include goals and objectives for continued successful existence. Entities should compare actual results with the

business plan to assess the results of their operations and to verify business strategies, as appropriate.

A business plan helps an entity to move in a positive direction. To continue to move forward successfully, BCI should review and update its business plan on a regular basis.

RECOMMENDATION

We recommend that BCI periodically update its business plan.

AGENCY PRELIMINARY RESPONSE

BCI informed us that it agrees and has complied by creating a business plan that will be revised annually.

FINDING

4. Economic Forecasting

BCI needs to employ economic forecasting for its products and services.

Economic forecasting involves assessing the impact that BCI has on competitive businesses, evaluating customer perception of BCI's programs and products, estimating the economic impact that BCI has on the State's economy, and analyzing the benefits of BCI's contributions to management and the goals of the State's correctional system. BCI attempted to design and implement an economic forecasting system, but it did not meet BCI's expectations and was subsequently discontinued.

BCI entered into two product marketing programs during our audit period that have not produced profitable results:

- a. BCI established a geographic information system (GIS) during fiscal year 1997-98. GIS was designed to produce digital maps with geographic and spatial information maintained in a database. GIS had net losses of approximately \$274,000 during the three fiscal years ended September 30, 2001.

- b. BCI established a computer refurbishing service in fiscal year 2000-01 under the encouragement of DOC. This service refurbished computers for use by Michigan schools. A committee was established to review how the new service would operate. This service lost approximately \$231,000 in its first year. BCI informed us that some programs are pursued for their social value, such as the computer refurbishing service. However, the profitability of such programs is necessary to ensure their continuance without subsidization.

Although losses may occur during the initial start-up of any new program, employing established economic forecasting prior to start-up would help evaluate the viability of a program before expending significant resources on program implementation.

In addition, some of BCI's ongoing programs had considerable net losses during the three fiscal years ended September 30, 2001. For example, 6 of 34 BCI factories had net losses totaling in excess of \$5.3 million during the three fiscal years ended September 30, 2001. The net losses ranged from \$0.6 million to \$1.5 million per factory. In total, 21 BCI factories had net losses of \$7.6 million during the three fiscal years ended September 30, 2001. Thirteen BCI factories had net profits totaling \$17.1 million (see summary of net profit from operations, presented as supplemental information).

In our prior audit, we reported BCI's need for economic forecasting. BCI agreed with our prior audit recommendation and contracted with Michigan State University (MSU) to provide economic forecasting research. However, by 1996, MSU employees assigned to the contract separated from MSU before BCI had obtained the necessary expertise to carry on and use the forecasting data.

RECOMMENDATION

We recommend that BCI employ economic forecasting for its products and services.

AGENCY PRELIMINARY RESPONSE

BCI informed us that it agrees and will comply. BCI stated that it has acquired a software program that will allow BCI to develop economic impact analysis studies for various products and commodities. The software has data available at the county level for each state and nationally. BCI also stated that it is training staff to

create economic models using the software and will utilize it for any newly proposed products or services to help project profitability.

FINDING

5. Sales Catalog

BCI needs to develop a comprehensive sales catalog of its products and services.

A comprehensive sales catalog would provide customers with a readily accessible reference to BCI products and services without having to frequently contact BCI staff. A sales catalog provides pictures, descriptions, specifications, and prices to further define availability of products and services.

In 10 instances, BCI customers who responded to our survey indicated that they would like to see BCI develop a comprehensive sales catalog.

BCI informed us that it started to develop a comprehensive sales catalog in fiscal year 1999-2000. Subsequently, DOC suspended the development of a printed catalog in favor of an on-line computerized sales catalog. As a result of several factors, neither a printed nor computerized sales catalog existed at the time of our audit.

A comprehensive sales catalog would help to improve customer awareness of available BCI products and services and may increase BCI sales.

RECOMMENDATION

We recommend that BCI develop a comprehensive sales catalog of its products and services.

AGENCY PRELIMINARY RESPONSE

BCI informed us that it agrees and has complied. BCI stated that it has established a Web site that provides greater access to potential customers at an economical cost.

FINDING

6. Customer Complaints

BCI needs to continue improving its monitoring of customer complaints and providing timely follow-up to resolve complaints.

BCI has established a customer complaint report (CCR) to identify customer complaints involving late delivery, damaged goods, incorrect orders, partial orders, order entry errors, and other issues. BCI central office staff receive the complaints and forward them to the appropriate factory or organizational unit for follow-up and resolution.

However, the CCR indicates only when a complaint was closed by the BCI central office, not when and how the actual problem was resolved by the BCI factory or organizational unit. Also, BCI had not established a process to identify and correct customer complaints documented on the CCR related to production, shipping, and order entry errors or timeliness of complaint resolution.

Our review of 730 customer contacts with BCI, during the period October 1, 1999 through January 15, 2002, identified 340 complaints regarding errors in production, shipping, or order entry.

We noted 70 complaints related to the timeliness in resolving issues related to product delivery, repair, replacement, etc. The timeliness in resolving issues ranged from 1 to 11 months from the time of order or when BCI was contacted. In 15 instances, BCI customers who responded to our survey indicated that slow delivery time was a frequent problem.

Also, we noted 50 other complaints that also involved timeliness issues. However, there was no supporting documentation on the CCR to verify the length of time to resolve the problem. The date closed by the BCI central office was shown, but the date resolved by the factory or organizational unit was not shown.

Subsequent to our audit fieldwork, BCI instituted a response card program to help identify issues on a more timely basis. Response cards will be sent with all orders so that customers may respond regarding issues such as timeliness and quality.

RECOMMENDATION

We recommend that BCI continue improving its monitoring of customer complaints and providing timely follow-up to resolve complaints.

AGENCY PRELIMINARY RESPONSE

BCI informed us that it agrees and has complied. BCI stated that it implemented a procedure to achieve closer tracking of customer complaints and their quick resolution. In addition, a "Customer Survey" form is mailed to each customer with the order acknowledgement. Customers are asked to return the surveys with comments on the delivery/product/service on the items they ordered.

FINDING

7. Preventive Maintenance Plan

BCI needs to develop and implement a comprehensive preventive maintenance plan.

DOC policy directive 04.03.100, Preventive and Emergency Maintenance, states that wardens shall ensure that maintenance services are provided for each area of a facility, including BCI areas located in the facility.

A comprehensive preventive maintenance plan would establish minimum maintenance and documentation standards for machinery and equipment used by BCI to ensure that all systems are functioning properly. BCI had \$21.8 million invested in machinery and equipment as of September 30, 2001 at its 34 factories located throughout the State, with the highest investment being \$4.3 million at one factory.

A comprehensive preventive maintenance plan should be designed to provide for periodic and planned inspections, investigations, and repairs with the intent of minimizing machinery, equipment, and system failures and breakdowns.

We observed some individual preventive maintenance plans at BCI factories visited; however, the implementation of preventive maintenance was not consistent and complete at all locations. We were informed by BCI that there was a draft memorandum of understanding between BCI and DOC in December 2001 to cover

joint maintenance areas of responsibility for facilities and BCI. However, an agreement had not been finalized at the time of our audit.

RECOMMENDATION

We recommend that BCI develop and implement a comprehensive preventive maintenance plan.

AGENCY PRELIMINARY RESPONSE

BCI informed us that it agrees and is taking steps to comply. BCI stated that it is reviewing several software programs to identify a tracking program that is suitable for BCI operations. BCI also stated that it is reviewing the manual preventative maintenance systems being used by several BCI shops to see how they are working and if they would be appropriate for use at other BCI operations.

SUPPLEMENTAL INFORMATION

BUREAU OF CORRECTIONAL INDUSTRIES
 Department of Corrections
 Summary of Net Profit From Operations
Fiscal Years Ended September 30

Location	Factory	2001	2000	1999	Total
Factories With Total Net Losses					
In Excess of \$500,000:					
Michigan Reformatory	Wood Furniture	\$ (377,498)	\$ (659,473)	\$ (498,432)	\$ (1,535,403)
Parnall Correctional Facility	Meat Processing	(256,806)	(108,929)	(564,052)	(929,787)
Ionia Maximum Correctional Facility	Furniture Refinishing	(435,171)	(235,138)	(258,532)	(928,841)
Camp Ottawa	Sawmill	(265,961)	(290,996)	(242,163)	(799,120)
Parnall Correctional Facility	Dairy	(254,206)	(320,027)		(574,233)
Egeler Correctional Facility	Chair	(286,506)	(56,195)	(215,036)	(557,737)
	Total for 6 Factories	<u>\$(1,876,148)</u>	<u>\$(1,670,758)</u>	<u>\$(1,778,215)</u>	<u>\$ (5,325,121)</u>
Factories With Total Net Losses					
Less Than \$500,000:					
Lakeland Correctional Facility	Geographic Information System	(110,236)	(108,840)	(54,656)	(273,732)
Brooks Correctional Facility	Vinyl Products	(119,081)	(73,226)	(69,002)	(261,309)
Brooks Correctional Facility	Laundry	(20,765)	(93,540)	(142,438)	(256,743)
Crane Correctional Facility	Data Processing		(97,437)	(148,012)	(245,449)
Scott Correctional Facility	Computer Operation	(231,916)			(231,916)
Parnall Correctional Facility	Sign Shop	(94,459)	(51,668)	(56,179)	(202,306)
Parnall Correctional Facility	Laundry	(321,355)	(52,462)	177,738	(196,079)
Parnall Correctional Facility	Carton	(57,893)	(48,497)	(78,804)	(185,194)
Marquette Branch Prison	Dairy	(156,816)			(156,816)
Parnall Correctional Facility	Machine Shop	70,302	(71,239)	(103,608)	(104,545)
Scott Correctional Facility	Dental Laboratory	2,265	(53,168)	(39,838)	(90,741)
Chippewa Correctional Facility	Laundry	2,939	(29,628)	(37,416)	(64,105)
Scott Correctional Facility	Cushion	(67,018)	41,634	7,723	(17,661)
Adrian Temporary Facility	License Tab	19,804	4,683	(38,762)	(14,275)
Southern Michigan Correctional Facility	Optical Lab	19,843	7,238	(36,767)	(9,686)
	Total for 21 Factories	<u>\$(2,940,534)</u>	<u>\$(2,296,908)</u>	<u>\$(2,398,236)</u>	<u>\$ (7,635,678)</u>
Factories With Total Net Profits:					
Carson City Correctional Facility	Garment	\$ 1,290,925	\$ 1,368,330	\$ 1,614,372	\$ 4,273,627
Kinross Correctional Facility	Garment	774,616	1,563,846	673,068	3,011,530
Parnall Correctional Facility	Metal Furniture	(632,927)	2,150,677	291,242	1,808,992
Scott Correctional Facility	Janitorial Products	808,719	515,619	233,653	1,557,991
Egeler Correctional Facility	Textile	202,859	902,810	399,448	1,505,117
Adrian Temporary Facility	License Plate	31,303	865,614	477,821	1,374,738
Parnall Correctional Facility	Shoe	376,173	368,139	226,946	971,258
Cotton Correctional Facility	Mattress	118,683	395,880	346,442	861,005
Chippewa Correctional Facility	Garment	64,636	451,754	245,974	762,364
Marquette Branch Prison	Garment	223,680	265,629	129,612	618,921
Egeler Correctional Facility	Print Shop	235,644			235,644
Cotton Correctional Facility	Garment	117,704			117,704
Thumb Correctional Facility	Laundry	(116,774)	(31,849)	157,141	8,518
	Total for 13 Factories	<u>\$ 3,495,241</u>	<u>\$ 8,816,449</u>	<u>\$ 4,795,719</u>	<u>\$ 17,107,409</u>
	Total for 34 Factories	<u>\$ 554,707</u>	<u>\$ 6,519,541</u>	<u>\$ 2,397,483</u>	<u>\$ 9,471,731</u>

Description of Survey

We developed a survey requesting information from certain organizations regarding their association with the Bureau of Correctional Industries (BCI), also known as Michigan State Industries.

We mailed surveys to 150 randomly selected organizations among the approximately 1,000 customers of BCI and received 85 responses. Five surveys were returned undeliverable. A review of the responses indicated that most respondents were satisfied with their contacts with BCI. However, some respondents requested that BCI develop a sales catalog to provide information on available products and services (Finding 5) and some respondents were concerned with delays in delivery times for products purchased (Finding 6). We referred these concerns to BCI for follow-up and provided it with a summary of the survey information.

We also mailed surveys to 100 judgmentally selected organizations among an unknown number of potential customers of BCI and received 56 responses. One survey was returned undeliverable. A review of the responses indicated that most respondents were not aware of BCI and their available products and services. The sales catalog requested by customers in the survey discussed in the preceding paragraph would also assist potential customers. We provided BCI with a summary of the survey information.

BUREAU OF CORRECTIONAL INDUSTRIES (BCI)
 Department of Corrections
Summary of Survey Responses From BCI Customers

Copies of Survey Delivered 145
 Number of Responses 85
 Response Rate 59%

1. Have you purchased the following from Michigan State Industries (MSI) during the past five years?

a.	Products	<u>66</u>	Yes	<u>17</u>	No
b.	Services	<u>23</u>	Yes	<u>36</u>	No

2. How would you rate the overall quality of the products purchased?

<u>Excellent</u>	<u>Very Good</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>
9	32	16	9	0

3. How would you rate the overall quality of the services purchased?

<u>Excellent</u>	<u>Very Good</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>
4	14	3	1	1

4. Have you had to return any products purchased from MSI?

17 Yes 49 No Percentage of Purchases Returned 6%

5. If "yes," how would you rate MSI's handling of your return?

<u>Excellent</u>	<u>Very Good</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>
1	5	5	5	1

6. If you responded "yes" to question 4, was the return handled to your satisfaction?

16 Yes 1 No

7. How would you compare prices of MSI products or services to other suppliers?

<u>Always Lower</u>	<u>Usually Lower</u>	<u>The Same As</u>	<u>Usually Higher</u>	<u>Always Higher</u>
5	27	14	12	1

8. Overall, how would you rate MSI sales people in their contacts with you?

<u>Excellent</u>	<u>Very Good</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>
15	26	17	7	0

9. Overall, how would you rate MSI efforts in meeting customer needs?

<u>Excellent</u>	<u>Very Good</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>
13	22	21	9	1

10. Are there any areas in which you believe MSI could improve the quality of its products or services?

34 Yes 26 No

11. Are there any products or services you would like MSI to offer that it does not currently offer?

4 Yes 46 No

BUREAU OF CORRECTIONAL INDUSTRIES (BCI)
Department of Corrections
Summary of Survey Responses From Potential BCI Customers

Copies of Survey Delivered 99
Number of Responses 56
Response Rate 57%

1. Have you purchased the following from Michigan State Industries (MSI) during the past five years?

a. Products	<u>8</u>	Yes	<u>46</u>	No
b. Services	<u>3</u>	Yes	<u>51</u>	No

2. If you responded "no" to question 1, what are the reasons why you have not purchased from MSI? (Please check all the reasons that apply.)

a.	<u>12</u>	I was unaware that MSI existed.
b.	<u>9</u>	I was unaware that my organization could purchase from MSI.
c.	<u>13</u>	I was unaware of products available from MSI.
d.	<u>12</u>	I was unaware of services available from MSI.
e.	<u>9</u>	MSI does not have competitive prices.
f.	<u>4</u>	MSI does not have quality products.
g.	<u> </u>	MSI does not have quality services.
h.	<u>1</u>	MSI delivery time for products was unacceptable.
i.	<u>11</u>	Other reason

3. Please identify which, if any, of the following products and services you did not know were available from MSI. (Please check all that apply.)

a.	<u>16</u>	Office desks and chairs
b.	<u>16</u>	Metal files and storage cabinets
c.	<u>16</u>	Conference and miscellaneous tables
d.	<u>17</u>	Partitioning office systems
e.	<u>22</u>	Interior and exterior signs
f.	<u>19</u>	Vinyl ring binders and folders
g.	<u>20</u>	Name plates and name tags
h.	<u>19</u>	Corrugated cartons
i.	<u>17</u>	Officer and law enforcement uniforms
j.	<u>18</u>	General work clothing and footwear
k.	<u>16</u>	Bed linens, towels, and blankets
l.	<u>15</u>	Beds and mattresses
m.	<u>20</u>	Janitorial cleaning chemicals
n.	<u>20</u>	Laundry services
o.	<u>27</u>	Computer refurbishing services
p.	<u>27</u>	Geographic mapping services
q.	<u>22</u>	Furniture refinishing services
r.	<u>26</u>	Print shop services

Glossary of Acronyms and Terms

BCI	Bureau of Correctional Industries.
CCR	customer complaint report.
DOC	Department of Corrections.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical with the minimum amount of resources.
GIS	geographic information system.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
mission	The agency's main purpose or the reason that the agency was established.
MSI	Michigan State Industries.
MSU	Michigan State University.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
performance indicators	Information of a quantitative or qualitative nature used to assess achievement of goals and/or objectives.

reportable condition

A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.