

Prison Enterprises Board Meeting

March 20, 2018

APPROVED
Michael J. Moore
Michael J. Moore, Director
4/24/18
Date

1. Chairman Joseph Ardoin called the meeting to order at 10:06 AM at Prison Enterprises (PE) Headquarters, Baton Rouge, Louisiana.
2. Mr. Richard Oliveaux led the opening prayer. Following the prayer, the Pledge of Allegiance was recited.
3. Attendance
 - 3.1 Members Present:
 - Joseph Ardoin, Chairman
 - Eric Lane
 - Richard Oliveaux
 - Paul Spalitta
 - Tim Travis
 - Chris Wisecarver
 - 3.2 Prison Enterprises Staff Present:
 - Michael Moore, Director
 - Joe Buttross
 - Scot Floyd
 - Kacie Henderson
 - Danny Hoover
 - Vickii Melius
 - Michelle Montalbano
 - Kristie Sigrest
 - Misty Stagg
4. Mr. Ardoin inquired of the status of Mr. Strickland regarding his seat on the board.
5. Director Moore explained that a while ago he spoke with Mr. Strickland's son Randy regarding Mr. Strickland and the board. Director Moore will contact Randy or Mrs. Strickland to get an update.
6. Mr. Ardoin acknowledged that a quorum was present and asked for a motion to approve the January and February board meeting minutes. Mr. Lane made a motion that the minutes be approved as written. Mr. Wisecarver seconded the motion and it passed unanimously.
7. Mr. Ardoin turned the meeting over to Director Moore.
8. Director Moore began by providing an update on the performance audit and the annual financial audit the Louisiana Legislative Auditors (LLA) are conducting on PE. He reported that during the Department of Corrections (DOC) entrance conference, the LLA explained that they were concentrating their audit on five (5) institutions and PE was one (1) of the five (5).
9. Continuing, Director Moore reviewed the audit process. He explained that as precaution and to alleviate potential confusion all requests from the auditors are to include Administrative Program Director Joe Buttross. Additionally, he discussed the complexity of providing the auditors with some of the information and items they have requested due to a lack of understanding of how certain PE processes work within our individual

- operations. As an example, he cited the auditors request to see six (6) specific cows listed on PE's inventory at Louisiana State Penitentiary (LSP).
10. Next, Director Moore discussed the Legislative Session adding that the regular session could end early so that a special session could convene to address the state's budget shortfall. He noted that on March 19th DOC appeared briefly before the House Appropriations Committee and has been scheduled to appear again on April 9th.
 11. Continuing, Director Moore announced that the National Correctional Industries Association Conference would be held in Atlanta, Georgia, April 15th – 18th. The conference offers numerous "shop level" workshops specific to PE industries. Due to the proximity of the conference and the low cost of driving versus flying, PE plans to send a number of employees comprised of executive staff and "shop level" supervisors to the conference.
 12. Director Moore, then asked Mrs. Henderson to discuss PE's upcoming annual Office of Risk Management (ORM) audit.
 13. Mrs. Henderson stated that the audit has been scheduled for March 28, 2018. She reiterated that the ORM would walk through PE Headquarters and evaluate PE's compliance in safety, training, and human resources.
 14. Director Moore added that passing the ORM audit allows PE and DOC to potentially receive approximately a 2.5% discount incentive on its insurance premium of approximately \$350,000.
 15. Lastly, Director Moore announced that PE's Annual Report has been submitted to DOC and copies are available upon request.
 16. Mr. Wisecarver inquired as to the amount PE was charged by the Office of State Procurement (OSP) for their services.
 17. Mr. Buttross reported on each of OSP's annual charges to PE since OSP was established.
 18. Director Moore and Mr. Buttross discussed the services provided by OSP and recounted several issues PE is experiencing with vendors. The inability to receive raw materials and contracted items timely, seriously affects production and the ability to complete job orders.
 19. Mr. Spalitta questioned the procedures for expelling a vendor.
 20. Mr. Buttross explained the deficiency process and procedures necessary for disbaring a vendor. However, it very rarely occurs as we keep experiencing similar problems over and over.
 21. Director Moore then asked Deputy Director Stagg for her comments.
 22. Mrs. Stagg announced that PE's 2017 Employee Awards and Training Conference would be held Thursday, April 26th at the Oak Lodge Baton Rouge Reception and Conference Center. She extended an invitation to the Board Members.
 23. Continuing, Mrs. Stagg reported that the Metal Fabrication shop and the Hunt Garment plant were working overtime due to a large volume of job orders. Any new job orders for these plants are being evaluated and scheduled accordingly.
 24. Director Moore then asked Mr. Buttross for the administrative update.
 25. Mr. Buttross began by explaining that since the last meeting all but one (1) or two (2) of the CDC items that did not previously receive bids were resolved.
 26. Next, Mr. Buttross reported job orders for February 2018 were \$528,640 compared to 2017 job orders of \$775,027. March 2018 job orders to date are approximately \$164,716 and for the entire month of March 2017, job orders totaled \$421,908. The March 2017 job orders included a supplemental tag order totaling \$460,000 that was a result of the 2016 flood.
 27. Director Moore then asked Mrs. Sigrest to provide the financial update.

28. Mrs. Sigrest reported that January 2017 finalized year to date (YTD) sales were \$15.4 million compared to January 2017 YTD sales of \$15.5 million, a decrease of \$95,000. YTD net income for the month of January 2018 was a loss of \$760,000 compared to a YTD loss of \$691,000 for January 2017, an increased loss of \$69,000. The February 2018 preliminary monthly sales increased by \$110,000 compared to February 2017 monthly sales and the preliminary YTD sales for February 2018 increased by \$14,000 as compared to February 2017 YTD sales.
29. Continuing, Director Moore asked Mrs. Melius to provide a sales and marketing update.
30. Mrs. Melius reported PE received two (2) significant DOC job orders. An order from Louisiana State Penitentiary (LSP) for offender clothing, linens, chairs, print, and officer uniforms totaling \$96,654, and an order from Elayn Hunt Correctional Center (EHCC) for offender clothing and janitorial supplies totaling \$19,425.
31. Continuing, Mrs. Melius stated that four (4) other significant job orders were received. An order from the Office of Juvenile Justice/Acadiana Center for office furniture, chairs, metal beds, and desks totaling \$327,350, an order from Youth Challenge Program/Carville for metal lockers totaling \$26,300, an order from the Louisiana Office of the State Fire Marshal for tags totaling \$18,775, and an order from the Jefferson Parish Correctional Center for mattresses totaling \$12,000.
32. Mrs. Melius reported that that two (2) significant job quotes were submitted. A quote to the Lake Fausse Point State Park for bunks, dining tables, and chairs totaling \$111,240 and a quote to Pinecrest Support Services for dining tables, chairs, and sofas totaling \$26,675.
33. Lastly, Mrs. Melius stated that the Sales and Marketing team promoted the new “snag proof” uniform shirts while attending the Chiefs of Police Mid-Year Conference March 6th - 8th in Lake Charles and the Louisiana Library Association Conference from March 7th – 9th in Alexandria. During the conferences, the sales team also noticed an increased interest in refurbishing work.
34. Director Moore noted that the Lafourche Parish Detention Center would be opening a new parish prison and they came to PE Headquarters and viewed the products in our showrooms.
35. At the request of Mr. Oliveaux, Mr. Travis inquired as to the timeline for hiring sales representatives to fill the two (2) recent vacancies.
36. Director Moore explained that the PE Warehouse supervisor, Scott Bearb expressed an interest in a sales position. He has developed many relationships with customers during his twenty (20) years with PE, which previously included a position in the sales department. Mr. Bearb has always worked closely with the sales team and recently attended both conferences and we have begun to utilize him in this capacity for now.
37. Mr. Oliveaux asked if Mr. Bearb had been detailed to the position and was there anyone in the department that could be considered for a sales position.
38. Director Moore explained that he and Mr. Bearb have discussed several options and plan to evaluate this arrangement in the near future. Several suggestions on hiring practices, recruiting and selecting candidates were discussed in detail.
39. Director Moore noted that Mr. Buttross and Mr. Floyd are members of a committee the DOC formed to recruit potential employees.
40. Next, Mr. Wisecarver questioned whether the January financial statement includes the large volume of metal fabrication orders Mrs. Staggs reported earlier and what impact it could have on that operation’s net income.

41. Director Moore reviewed the accounting process and timing cycles for sales orders during production as it relates to the financial statement.
42. Mr. Wisecarver suggested that plants evaluate the profit margin of jobs when prioritizing or scheduling jobs during periods with a high volume of orders.
43. Mr. Wisecarver inquired as to the increase in LSP Rangeherd expenses.
44. Mr. Hoover reviewed the unusually high repair costs incurred and the unexpected feed purchases. The weather damage to the Crusher House prevented PE from mixing their feed and it had to be purchased.
45. Director Moore added that to properly assess the Rangeherd, the market price of beef and timing factors need to be considered.
46. Mr. Oliveaux interjected that several factors are necessary to analyze the Rangeherd operation.
47. Discussions ensued on the methods used to account for various types of inventory. Director Moore and Mr. Buttross provided a detailed explanation on the accounting for PE Rangeherd operations.
48. Mr. Wisecarver questioned how often allocations are re-evaluated.
49. Director Moore stated that allocations are typically evaluated annually and includes input from Administrative, Industry, and Agriculture staff. They are also evaluated when an operation is shut down, added, or there is a material change to operations.
50. Mr. Lane recounted advice from his father, Gerry Lane on planting rowcrops. Mr. Hoover and Mr. Travis provided additional comments on rowcrops.
51. Director Moore asked Mr. Floyd for an industries update.
52. Mr. Floyd reiterated that the Metal Fabrication shop was working on several large jobs. He provided a detailed description of the jobs and the projected amount of time allotted to complete each job.
53. Mr. Wisecarver asked whether samples are provided to the customer.
54. Mr. Floyd replied that samples and in some cases CAD drawings are sent to the customers.
55. Next, Mr. Floyd reported that the ordering period for the Spring Canteen Package Program (CPP) ended and the plant has started receiving products to begin pulling and packaging orders. He compared the types and quantity of sales to those of the Holiday program.
56. Mr. Oliveaux inquired about the commission PE expects to receive from the Spring Program.
57. The CPP contract, prices, and commissions were discussed in detail.
58. Mr. Wisecarver asked Director Moore for an overview of program.
59. Director Moore provided an in depth explanation of the approximately three (3) - four (4) year process OSP underwent in awarding the CPP to a vendor. He addressed a market basket, percentage of commissions, product availability, and the customer base. He also noted that these programs are conducted by numerous CI's across the country and that was considered prior to us proceeding with establishing this program.
60. Mr. Ardoin questioned the cost of the CPP Warehouse and the expected return on investment (ROI).
61. Director Moore provided an update of the current expectations and ROI and clarified the expenses associated with the program and the warehouse.
62. Director Moore and Mr. Buttross reviewed the original projections of the program and addressed the unforeseen product and housing restrictions administered.
63. Mr. Spalitta asked whether PE discussed the projection differences with the vendor and the impact it has to PE.

64. Mr. Buttross stated that in a year from now we should be in a better position to assess PE sales compared to the vendor's original projections, especially now that the personal property and the ability for offenders to order directly have both been added to the program.
65. Mr. Wisecarver inquired whether feedback has been received regarding the program.
66. Director Moore and several staff members stated that feedback from the offenders, their families, the Wardens, and the DOC administration has been positive.
67. Mr. Buttross noted two (2) key benefits associated with the program are the additional jobs the program created and the new technology the offenders are being exposed to.
68. Mr. Ardoin suggested that the next board meeting be held at LSP to tour the CPP.
69. It was determined that due to time restraints and scheduling conflicts the Board Members would tour the facility independently from the Board Meeting.
70. Continuing, Mr. Floyd reported that the Mattress Factory was busy building inventory in preparation for the end of the year, flooding, and hurricanes.
71. Lastly, Mr. Floyd stated that the Transportation has located a truck and waiting on an official quote.
72. Director Moore asked Mr. Hoover for an agriculture update.
73. Mr. Hoover announced that the Mississippi River has crested. It is at sixty-one (61) feet and gradually falling. All the pasture behind the main levee was lost. The portion of the ring levee the National Guard constructed seems to be intact but any problems or damage to the ring levee will be assessed when the water recedes.
74. Mr. Hoover stated that considering the water levels the cattle were doing well and were out with the bulls. He noted that cattle working would begin during the week of March 26th.
75. Next, Mr. Hoover reported that one hundred twenty (120) acres of corn was planted, prior to LSP receiving five (5) inches of rain. When the weather improves and the land begins to dry, the condition of the crops will be assessed.
76. Continuing, Mr. Hoover reported that the vendor is scheduled to pick up and repair the combine.
77. Mr. Oliveaux inquired on the age of the combine and if PE purchased it new or used.
78. Mr. Hoover stated PE purchased the combine approximately seven (7) years ago and it had some hours of use when purchased.
79. Mr. Oliveaux discussed the regulatory omission controls the government may implement on cattle.
80. Mr. Ardoin set the next meeting for 10:00 AM at PE Headquarters on Tuesday, April 24, 2018.
81. Mr. Oliveaux made a motion to adjourn the meeting and Mr. Spalitta seconded the motion.
82. Mr. Ardoin adjourned the meeting at 11:33 AM.