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|  <p>CD-110300</p> | <h1>NEW MEXICO CORRECTIONS DEPARTMENT</h1> <p>"We commit to the safety and well-being of the people of New Mexico by doing the right thing, always." Courage Responsibility Ethics Dedication - CREDibly serving the public safety of New Mexico</p> | |
| | ISSUE DATE: 07/26/06 EFFECTIVE DATE: 07/26/06 | REVIEWED: 03/31/17 REVISED: 03/17/15 |
| | TITLE: CI Pricing, Product Recording, Sales and Marketing: Penalties, Mortifications and Cancellations; Customer Service and Rejection Criteria | |

AUTHORITY:

Corrections Industries Act, NMSA 1978, Sections 33-8-1, as amended.

REFERENCE:

- A. NMSA 1978, Sections 33-8-6 as amended, Commission: Powers and Duties.
- B. ACA Standards 2-CI-4A-10, 2-CI-6A-6, 2-CI-6A-8, 2-CI-6A-10, 2-CI-6A-11, 2-CI-6A-12, 2-CI-6E-6 and 2-CI-6G-2, *Standards for Correctional Industries*, 2nd Edition.

PURPOSE:

- A. To establish standard pricing and terms of the sale for all furniture goods and services provided by Corrections Industries.
- B. To ensure that all pricing on customer purchase orders is correct and proper review is complete.
- C. To establish set procedures in reference to penalty clauses related to late deliveries of Corrections Industries products and services in accordance with the Procurement Code.
- D. To establish standard procedures in the proper handling of cancelled customer purchase orders and the disposition of work orders processed by the sales staff.
- E. To establish criteria for responding to customer rejection of merchandise manufactured in compliance with authorized work orders.

APPLICABILITY:

- A. All products manufactured and goods and services provided by Corrections Industries available for resale to government entities, non-profit organizations and other approved private retail outlets.
- B. All Corrections Industries employees and customers.
- C. All customer purchase orders accepted by Corrections Industries for the purchase of furniture goods, microfilming, printing and all other goods and services available to state and municipal government entities.

FORMS:

None

ATTACHMENTS:

None

DEFINITIONS:

- A. Discounts: Quantity purchase discounts will be granted to customers if published on the Corrections Industries website or if approved in writing by the Director or designee.
- B. Orders: Any legal purchase document having authorized encumbered funds specifically to be applied towards the purchase of any goods and services manufactured or provided by Corrections Industries.
- C. Prevailing Market Price: Prevailing price which an equivalent product or service would have if purchased by a state agency or local public body from a community business.
- D. Price List: Current prices are published on the Corrections Industries website. Prices for custom-made furniture will be based on raw material and overhead expenses that are in keeping with the price established by the Commission.
- E. Pricing: Corrections Industries will submit changes in the price list to the Corrections Industries Commission for approval. The price of Corrections Industries products shall be as near to prevailing market price as possible.
- F. Promotional Sales: Sales may be held periodically to promote the sale of obsolete product lines, seconds, as introductory offers and other promotional activities. Pricing of these items will be determined by the Director or designee. All sales and shipping documents will be marked accordingly. Product seconds shall be marked as seconds on product and designated "sold as is".
- G. Purchase Order: A legal purchase document having authorized encumbered funds specifically to be applied toward the purchase of any goods or services manufactured or provided by Corrections Industries.
- H. Rejection of merchandise: Falls into four (4) major categories:
 - 1. **Ambiguity**: Customer is not satisfied with the merchandise; however, the reasons are difficult to comprehend, distinguish or clarify.
 - 2. **Damage**: The merchandise was visibly damaged prior to or during delivery.

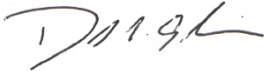
3. **Design Irregularities:** The merchandise was not manufactured to acknowledged specifications.
 4. **Product Error:** The products being delivered do not correspond with the products specified on the work order; stain color, fabric color or size is in error.
- I. *Ten (10) Day Delivery:* Refers to the date the work order is entered into the facility's aging list, not the date of the purchase document or the date of the work order. Ten day delivery is limited to Santa Fe, Albuquerque or Los Lunas. For all other locations, 10 day delivery will refer to the "next available" truck. Custom orders are not available for 10 day delivery.
- J. *Work Order form:* The work order provides documentation on all orders accepted by Correction Industries. The work order is a computer generated form with an assigned default number.

POLICY:

- A. There shall be written product specifications, drawings, and bills of materials for each item regularly produced in Corrections Industries. [2-CI-6A-6]
- B. There shall be an established method for developing prices of products and services. Pricing decisions shall be based on the costs of goods and market information. Periodic market analyses will ensure current market pricing. [2-CI-6E-6]
- C. *Pass-through products* shall not comprise a majority of sales in any product category. Whenever possible, inmates should add value to all products. [2-CI-4A-10]
- D. There shall be a statutory authorization, or a lack of statutory restrictions, that provides Corrections Industries with sufficient markets to operate economical and efficient manufacturing and/or service enterprises. [2-CI-6A-8]
- E. A marketing plan shall be written and implemented at the beginning of the fiscal year, consistent with the organization's business plan. Market research shall be conducted. Products and services shall be developed and produced to meet the needs of the market place. The marketing plan will be reviewed regularly to ensure it is consistent with changing markets. [2-CI-6A-10]
- F. There shall be a formalized and active customer service program which provides periodic feedback to ensure customer satisfaction. [2-CI-6A-11]
- H. At a minimum, product support, product return policies and warranties shall be comparable to the marketplace. [2-CI-6A-12]
- I. Corrections Industries shall provide for internal controls for the routing and approval of documents in support of authorized sales.


- J. Corrections Industries shall establish standard procedures to recover merchandise rejected by authorized customers based on acceptable criteria.

- K. Compliance shall exist with all federal requirements under the Prison Industries Enhancement Certification Program (PIECP) for any prison-made product involved in interstate commerce, at any point in time. [**2-CI-6G-2**]



David Jablonski, Secretary of Corrections
New Mexico Corrections Department

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Date

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| | TITLE: CI Pricing, Product Recording, Sales and Marketing: Penalties, Mortifications and Cancellations; Customer Service and Rejection Criteria | |

AUTHORITY:

Policy *CD-110300*

PROCEDURE:

A. Product Pricing:

1. There shall be written product specifications, drawings, and bills of materials for each item regularly produced in Corrections Industries. **[2-CI-6A-6]**
2. There shall be an established method for developing prices of products and services. Pricing decisions shall be based on the costs of goods and market information. Periodic market analyses will ensure current market pricing. **[2-CI-6E-6]**
3. *Pass-through products* should not comprise a majority of sales in any product category. Whenever possible, inmates should add value to all products. **[2-CI-4A-10]**

B. Accurate Pricing of Corrections Industries Products Recorded on Sales or Customer purchase Orders:

Upon receipt of a purchase document from the customer, the sales staff shall review the purchase document to verify that all pricing is accurate and is consistent with the current price list or approved pricing documents for custom items.

A sales representative will enter all information and specifications into the database in order to generate a work order.

1. Work order processing and order monitoring:
 - a. Check customer purchase order for vendor code and vendor address.
 - b. Check purchase order for duplication on purchase order master file on computer.
 - c. Check purchase order for authorized signature of approval.

- d. Check bill to and ship to information.
 - e. Check unit request to determine type of charge.
 - f. Verify article for stock number and description match.
 - g. Verify all information on custom orders with salesperson and customer.
 - h. Verify unit cost and price extensions.
 - i. Check to insure that delivery fee, any UPS charges, applicable taxes or special handling fees are on the purchase order totals and are correct.
 - j. Produce a work order and fax or email it to the producing facility. Hard copies are then mailed to the proper facility.
 - k. File the original work order and purchase document numerically by work order number.
 - l. Send a copy of the work order and purchase document to the distribution center and the accounts receivable office.
 - m. Provide a copy of the work order to the customer as a confirmation of their order.
 - n. The marketing manager, account managers and the customer service person monitor the aging reports in order to update status of orders taking excessive time and advise customers of delays.
 - o. The marketing manager, account managers and the customer service person assist customers with order and delivery status upon request.
 - p. The customer service person provides weekly reports of sales figures and statistics to the marketing manager to report to the Director and Deputy Director of Corrections Industries.
2. Facility managers shall review the sales order for accuracy and completeness. Any discrepancies in pricing, without the Deputy Director's approval, shall be documented in a memorandum and a copy of the customer purchase order sent to the Deputy Director.
 3. The Deputy Director will determine if the pricing on the customer purchase orders require changes or if pricing will remain as stated on the original customer purchase order. The marketing manager shall report all discrepancies to the Deputy Director and the action taken to correct any errors.

4. The facility manager may accept a difference in pricing if the customer purchase order is annotated and has been approved and signed by the Deputy Director.

C. Sales and Marketing:

1. There shall be a statutory authorization, or a lack of statutory restrictions, that provides Industries with sufficient markets to operate economical and efficient manufacturing and/or service enterprises. [2-CI-6A-8]
2. A marketing plan shall be written and implemented at the beginning of the fiscal year, consistent with the organization's business plan. There should be a distinct process in place to develop new products and services, to expand markets and to develop business opportunities. Market research, as well as compatible product analysis and pricing studies, is essential. The marketing plan will be reviewed regularly to ensure it is consistent with changing markets. [2-CI-6A-10]
 - a. Terms on sales of second and discounted items will be determined by the Deputy Director or designee.
 - b. All invoices past due (40 days past the date of delivery) may be subject to a surcharge of 1.5% interest per month.
 - c. A minimum 10% delivery fee will be required on all customer purchases for CI products. The delivery fee can be waived at the discretion of the Deputy Director or designee. The delivery fee applies to the total amount of a work order.

Seconds are subject to a minimum 10% delivery fee based on the price list.
 - d. Corrections Industries reserves the right to impose a 15% rush charge on all orders for Corrections Industries products that require delivery within 10 working days. The rush charge will apply to stock products not on hand. Custom orders will not be available for "rush" deliveries unless approved in writing by the facility manager.
3. Corrections Industries shall comply with all federal requirements under the Prison Industries Enhancement Certification Program (PIECP) for any prison-made product involved in interstate commerce, at any point in time. [2-CI-6G-2]

D. Sales Penalty Sales Clause:

Corrections Industries will not accept orders from customers if the orders contain penalty clauses for late delivery of products.

The Deputy Director of Corrections Industries may waive this policy if deemed it in the best interest of the division to accept the orders. All waivers must be in writing and signed by the Deputy Director or designee.

E. Customer Purchase Orders Modifications or Cancellations:

A customer purchase order submitted to the sales staff may be cancelled without penalty provided that none of the following stages of the work order have been processed:

- When total or partial items of the work order have not been delivered, or in the process of being delivered.
- Should part of or total of the work order be a custom built item, the 40% down payment will be forfeited.
- When typesetting or design of forms, letterhead, business cards, etc., has been partially or totally completed.
- Should Corrections Industries, due to circumstances beyond its control, be unable to complete a work order (i.e., lockdowns due to rioting, disturbances or acts of God).

Customer Purchase Order Modifications or Cancellation Penalty - Corrections Industries shall reserve the right to impose a 20% re-stock charge for furniture orders that have been completed and/or in the process of being delivered and a written request has been received for cancellation from the customer.

F. Customer Service Program: [2-CI-6A-11]

Customer satisfaction is essential for repeat business and continued markets necessary to run an Industry.

1. Customer Surveys:

- a. Upon delivery of the merchandise, the driver shall note on the delivery ticket whether the customer is satisfied or not with the merchandise;

The driver provides the customer with the pink copy of the signed delivery ticket.

- b. In conjunction with both marketing and sales staff, Customer Satisfaction Surveys will be conducted throughout the year with both institution and non-institution customers. The marketing manager will be responsible to collect, sort and present a report to the Deputy Director.

2. Customer complaints:

- a. Obtain order information from customer.
- b. Determine type or nature of complaint.

- c. Fill out numbered customer complaint form with all known information.
- d. Determine if product is covered by the warrantee or if repair/replacement will be charged for. If charged for, provide customer with price quote.
- e. Distribution of complaint form.
 - 1) Attach copy to original work order.
 - 2) Fax and mail a copy to the producing facility and distribution manager.
 - 3) Place original in complaint logbook under appropriate facility.
- f. Customer Service person monitors complaint log for excessive delays, and produces weekly reports for the marketing manager's report to the Deputy Director.

G. Customer Work Order Rejection Criteria: [2-CI-6A-12]

- 1. At a minimum, product support, product return policies and warranties shall be comparable to the marketplace.
- 2. The facility manager is responsible for ensuring that the assigned work orders are completed according to specifications by the agreed upon delivery date; delivery tickets are prepared and the manager of the distribution center is notified that the merchandise is ready for delivery.
- 3. The manager of the distribution center will acknowledge the request for delivery, schedule the pick-up, and advise the driver and appropriate facility manger of the designated delivery date.
- 4. Delivery of Merchandise:
 - a. The driver is responsible for delivering the merchandise to the customer in the condition in which it was released to him/her.
 - b. The driver shall inspect all merchandise to be delivered and note acceptance on the delivery ticket by signing his or her name on the caption "Inspected by Driver" (fill in the blank).
 - c. Upon delivery of merchandise, the driver should sign his name on the caption "Delivered by Driver" and obtain the signature and printed name of the customer accepting the merchandise.
 - d. In the event the customer refuses to accept the merchandise, the driver will document the deficiencies or circumstances, notify the manager of the distribution center and

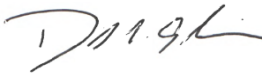
return the merchandise to the distribution center. Drivers will not commit Corrections Industries to a subsequent delivery schedule.

5. Warranty:

- a. Corrections Industries guarantees the products to be free of defects in materials and craftsmanship for a period of one (1) year from the date of shipment.
- b. Products requiring service after the warranty period will be prorated.
- c. Goods damaged during delivery must be documented on the delivery ticket upon receipt.
- d. All warranty claims must include the delivery date and the relevant work order number. Any repairs and /or replacements must be authorized by the Division Deputy Director or designee.

6. Procedure for Repairing/Replacing Rejected Merchandise:

- a. The manager of the distribution center will inspect rejected merchandise to determine the gravity of the necessary repairs and notify the appropriate facility manager. Based on the determination of the severity of the damage, minor repairs will be done at Corrections Industries, Central New Mexico Correctional Facility (CNMCF), if possible. If the repair is extensive, the facility managers will be notified and the first available transportation will be used to move the rejected merchandise to the originating facility.
- b. Once the rejected merchandise is received at the originating facility, the facility manager and supervisor will inspect the item, make an assessment of the damage, and initiate a Job Cost Sheet.
- c. The Job Cost Sheet (JCS) will be prepared for each piece of rejected merchandise and any additional costs required to renovate the merchandise will be identified. Once the item is repaired and the JCS completed, the manager of the distribution center will be notified to schedule a new delivery date.
- d. After the merchandise has been delivered, one (1) copy of the JCS form will be attached to the original work order and the second copy to the financial officer for disposition.
- e. It is critical for accounting purposes that realistic costs be used during refurbishment of the merchandise so an accurate assessment can be made of real costs.



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