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THESIS

DEPARTMENT OF THE ARMY FIELD
CONTRACTING ACTIVITIES' CONTRACTING
EFFORTS WITH THE
FEDERAL PRISON INDUSTRIES, INC.

by

Donald Kyle Carter

December 1993

Thesis Advisor: Rebecca J. Adams
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Department of the Army Field Contracting
Activities' Contracting Efforts With the
Federal Prison Industries, Inc.

by

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Captain, Air Defense Artillery, United States Army
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Submitted in partial fulfillment
of the requirements for the degree of

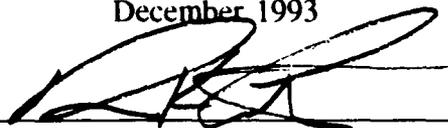
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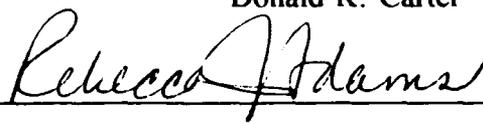
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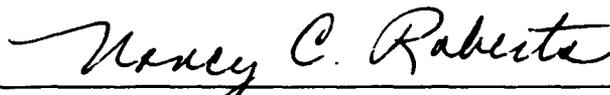


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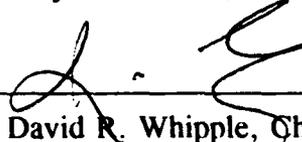
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ABSTRACT

The area of research is centered on one of the mandatory sources of supply for Federal Government agencies - the Federal Prison Industries, Inc. Established by the U.S. Congress in 1934 under authority of the Prison Made Supplies Act, Title 18, USC, 4121-4129, the Federal Prison Industries, Inc. (FPI) mission is to train and employ inmates. Initial research into the procurement practices and opinions of Department of the Army (DA) field contracting activities toward FPI revealed that many misconceptions exist and that the customer/supplier relationship between DA and FPI could be improved. The objective of this thesis was to examine the procurement practices of the DA field contracting activities by the use of a survey and to use the survey's results to identify analogous problems. This study identifies the problems that exist between DA and FPI, summarizes why they exist, and offers some recommendations for improving the customer/supplier relationship.

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TABLE OF CONTENTS

I.	INTRODUCTION	1
	A. AREA OF RESEARCH	1
	B. RESEARCH QUESTIONS	1
	C. SCOPE OF STUDY	2
	D. ASSUMPTIONS	2
	E. RESEARCH METHODOLOGY	2
	1. Literature Review	2
	2. Interviews	3
	3. Survey Procedures	3
	F. ORGANIZATION OF STUDY	4
II.	BACKGROUND	5
	A. REASONS FOR STUDYING THE FEDERAL PRISON INDUSTRIES, INC.	5
	B. HISTORICAL PERSPECTIVE	7
	C. MARKET SHARE AND PRIVATE INDUSTRY CONCERNS	10
	D. WAIVERS	15
	E. THE INDEPENDENT MARKET STUDY OF DELOITTE AND TOUCHE	17
	1. Findings of the Market Study	17
	2. Recommendations of the Market Study	19
	F. THE STUDY CONDUCTED BY THE BROOKINGS INSTITUTION	21
	1. Findings of the June 4-6, 1992 Summit	21
	2. Proposed Growth Strategies	22
	G. SUMMARY	23
III.	RESEARCH METHODOLOGY	25
	A. GENERAL	25

B.	INTERVIEWS AND FACTORY VISITS	25
C.	SURVEY	25
1.	Target Audience	26
2.	Survey Design	27
3.	Survey Analysis	29
D.	SUMMARY	30
IV.	DATA AND ANALYSIS	32
A.	GENERAL	32
B.	FEDERAL PRISON INDUSTRIES, INC. FACTORY VISITS	32
1.	Observations at the United States Penitentiary, Lompoc, CA.	32
2.	Observations at the Federal Correctional Institution Facility, Lompoc, CA.	36
3.	Observations at the Federal Correctional Institution Facility, Dublin, CA.	37
C.	SYNOPSIS OF QUESTIONS, ANSWERS, AND ANALYSES	40
D.	SUMMARY	66
V.	DISCUSSION	67
A.	GENERAL	67
B.	LONG LEAD/DELIVERY TIMES	68
C.	COMPETITIVE PRICES	72
D.	METHODS OF PROCUREMENT	77
E.	CUSTOMER SERVICE	81
F.	SUMMARY	83
VI.	CONCLUSIONS AND RECOMMENDATIONS	85
A.	GENERAL	85
B.	CONCLUSIONS	85
C.	RECOMMENDATIONS	87

D. ANSWERS TO RESEARCH QUESTIONS	91
1. Primary	91
2. Secondary	91
E. AREAS FOR FURTHER RESEARCH	96
F. CLOSING COMMENTS	97
APPENDIX A: SURVEY COVER LETTER	98
APPENDIX B: SURVEY	100
LIST OF REFERENCES	106
BIBLIOGRAPHY	109
INITIAL DISTRIBUTION LIST	111

LIST OF ILLUSTRATIONS

Figure

1.	HOW FPI DOLLARS ARE EXPENDED	14
2.	RESPONSES TO QUESTION 1	40
3.	RESPONSES TO QUESTION 5	46
4.	RESPONSES TO QUESTION 6	47
5.	RESPONSES TO QUESTION 7	49
6.	RESPONSES TO QUESTION 8	50
7.	RESPONSES TO QUESTION 16	60
8.	RESPONSES TO QUESTION 17	62

I. INTRODUCTION

A. AREA OF RESEARCH

The area of research is centered on one of the mandatory sources of supply for Federal Government agencies - the Federal Prison Industries, Inc. The purpose of the research is to examine the Department of the Army's (hereafter abbreviated as DA) contracting efforts with the Federal Prison Industries, Inc. (hereafter abbreviated as FPI; the trade name of FPI is UNICOR). Title 18 of the United States Code, Sections 4121 through 4129 (also known as the Prison Made Supplies Act, and amendments) established the legal framework by which delivery orders are awarded on a competitive basis to the prison factories. The major issues studied were whether DA field contracting activities were utilizing this resource as mandated by the Federal Acquisition Regulation. [Ref 1: p. 1]

B. RESEARCH QUESTIONS

The Primary Research Question was: To what extent are DA field contracting activities utilizing FPI as mandated by the Federal Acquisition Regulation?

Subsidiary Research Questions were:

1. What is FPI and what are the principal types of products and services that it provides?

2. To what extent do DA field contracting activities utilize FPI as a source of products and services and how might this relationship be enhanced?
3. What are the principal impediments or barriers to procuring from FPI?
4. What steps can be taken by DA to reduce or eliminate these impediments or barriers?

C. SCOPE OF STUDY

This thesis was broad in scope. The areas examined were: the products/services currently offered by FPI; FPI's factory operations; DA's field contracting activities' utilization of FPI as a source of products and services; the customer/supplier relationship between DA's activities and FPI; principal impediments or barriers from procuring from FPI; and recommendations on how DA contracting activities can reduce or eliminate these impediments or barriers.

D. ASSUMPTIONS

Any reader of the thesis is assumed to have a basic understanding of the concepts and regulations applicable to the Government procurement process.

E. RESEARCH METHODOLOGY

1. Literature Review

A comprehensive examination of all applicable literature, statutes, regulations, published goals and objectives, and historical facts were conducted in order to lay the foundation for this thesis on procurement and

acquisition. The preponderance of literature was obtained from the headquarters of the Federal Prison Industries, Inc., in Washington, D.C.

2. Interviews

Research was conducted via interviews with personnel from the FPI headquarters in Washington, D.C., FPI factory managers and workers, and DA contracting personnel in the field. Goals of the interviews were: to gather insights from agency executives regarding the goals of FPI; to understand the factory operations of FPI; to understand the customer/supplier relationship between FPI and DA activities; to identify barriers that must be overcome in order to contract with the Federal Government; to outline the strategies or processes needed to overcome the barriers; and to garner recommendations on how to improve the procurement process between DA activities and FPI.

3. Survey Procedures

In August 1993, a questionnaire/survey was mailed to a targeted audience of contracting officers from 42 DA field contracting activities. Five weeks were allocated for completion and return of the surveys. Twenty-one activities responded. Respondents were requested to be as candid as possible and were informed that their answers would remain confidential. Eighteen questions were asked with the intent to ascertain a "snapshot" status of DA's perceptions of and

procurement trends towards FPI's products and services. The subjects of the questions were: products/services most often purchased from FPI; the reasons for the use or non-use of FPI; satisfaction level of the products/services that are received from FPI; benefits and drawbacks of dealing with FPI; recommendations on improving relations with FPI; and any preconceived notions that they might have about FPI and its products.

F. ORGANIZATION OF STUDY

The study was organized so that it could be presented in the following chapter and discussion format:

1. Chapter I - Introduction
2. Chapter II - Background: the history of FPI and its evolution, development of the current circumstances, and a presentation of recent market studies of FPI.
3. Chapter III - Research Methodology: methods/rationale used in determining interviewees and survey sample size, a discussion of questions used in the survey, and defining how the survey data will be analyzed.
4. Chapter IV - Data Presentation and Analysis: presentation of the salient findings discovered in the factory visits and interviews, a summary of the raw survey data results, and an analysis of the survey results.
5. Chapter V - Discussion: Analysis and interpretation of data.
6. Chapter VI - Conclusions/Recommendations: Conclusions about the findings, recommendations as to what actions to take that will improve DA's utilization of FPI's products and services, and proposals for further research study.

II. BACKGROUND

A. REASONS FOR STUDYING THE FEDERAL PRISON INDUSTRIES, INC.

With drug and other Federal crimes on the rise, prison overcrowding is reaching epidemic proportions. Overcrowding, currently 50 percent over rated capacity, strains staff and facilities, endangers institutional security, and places staff and prison inmates in potentially life-threatening conditions. By the turn of the century, the Bureau of Prison's inmate population is expected to more than double to over 130,000. An effective correctional program is crucial to deal with such a large population. Federal Prison Industries, Inc. is the Bureau of Prison's main program for reducing idleness - the leading cause of violence and disruption in prisons. [Ref 2: p. 2]

According to Scott Ticer in *Business Week*, the problem of how to deal with inmates is of particular importance today. The number of persons behind bars in the United States has doubled in the last decade. The U. S. spends over twenty billion dollars per year (State and Federal spending combined) on corrections. Federal prison budgets have been growing tremendously since the 1980's. [Ref 3] The population is not only expanding at an unprecedented rate, but inmates are also

serving longer sentences; parole has been abolished; available good time has been reduced; and inmates are becoming increasingly more criminally sophisticated [Ref 4: p. 2].

The performance of all prisons systems in this country has been criticized. Jails are filthy, overcrowded, violent, and unproductive. By the year 2000, there will be four million citizens in this country in the charge of correction officials, more than 25% of whom will actually be behind bars. [Ref 1: p. 9]

The Federal inmate population is growing rapidly, and it will continue its growth through at least the end of the decade. Society must provide criminal offenders with productive ways to occupy their time - both to ensure the safety and security of our correctional institutions and to provide inmates with opportunities for self-betterment. Prison industries are clearly one such productive activity. [Ref 5: p. 1]

Members of the contracting profession need to be aware of the problems driving the Federal Government's mandatory sourcing laws and regulations and the ways that they influence the contracting community. The contracting profession demands continuous updates to the knowledge base, expertise, and education and refresher training of its members. It is vital for contracting professionals to learn all that they can about an apparently misunderstood economic resource - the Federal

Prison Industries, Inc. How to use FPI and how to make FPI a more efficient enterprise are questions that merit addressing.

[Ref 1: pages 9-10]

B. HISTORICAL PERSPECTIVE

In 1934, the United States Congress passed legislation establishing the Federal Prison Industries, Inc. to "alleviate the appalling amount of idleness among the inmates of our prisons" [Ref 1: p. 10]. Congress created FPI to relieve idleness in the Federal Prisons, to provide employment and to offer training to the greatest number of Federal inmates possible. To ensure a continuous flow of work to FPI factories, where sudden "layoffs" might seriously jeopardize the security and orderly running of the prisons, Congress requires Federal agencies to purchase their supplies and services from FPI - but only when FPI can meet price, quality, delivery, and product specifications. [Ref 6: p. 13]

Federal Prison Industries, Inc. (in 1978 it adopted the trade name UNICOR), exists under the Department of Justice; however, it is an incorporated entity of the District of Columbia operating on a nonappropriated fund basis [Ref 7: p. 1]. Federal Prison Industries, Inc. operates as a wholly-owned Federal Government corporation - remaining self sufficient through its sales. A prison program managed by correctional professionals, FPI's mission is to provide work for inmates, instill a work ethic in individuals with little

past work experience or training, and teach inmates skills so that they will be better prepared to return to the community [Ref 8: p. 11].

Federal Prison Industries, Inc. mission is not necessarily designed to accommodate business efficiency, competitive market prices, or timely delivery - but in many ways it must operate like a business. Nevertheless, it is not "in business" to maximize profits, but to fulfill its correctional mission of employing and training inmates [Ref 8: p. 12] Currently, more than 16,000 inmates (approximately 26%) are employed by FPI with fiscal year 1992 sales being approximately \$417,403,000 [Ref 4: pages 3,24]. Apart from its initial outlay to FPI of one million dollars in 1934, and a loan of \$20 million from the United States Treasury in 1989 for new factories and equipment, Congress does not appropriate funds for FPI's operation [Ref 1: p. 10 and Ref 4: p. 24]. According to FPI, it is self sufficient and uses no taxpayer money. In fact, FPI states that during its nearly 60 year existence, it has returned over \$80 million to the United States Treasury [Ref 2: p. 2]. According to the FAR Subpart 8.602(a), Federal Government agencies of the executive branch are to be the sole customers of FPI (unless FPI sells to a prime contractor who is performing a contract for the Federal Government), to purchase ". . . supplies of the classes listed in the Schedule of Products made in federal . . .

institutions . . . at prices not to exceed current market prices . . . " [Ref 1: p. 11]. Among the heaviest users of FPI (based on customer sales) are the Department of Defense, the General Services Administration, the Bureau of Prisons and the United States Postal Service. In FY 92, over 60 percent of FPI's business (sales of over \$255 million) was with the Department of Defense. [Ref 9]

Federal Prison Industries, Inc. has provided thousands of inmates with job skills, which can be used after the inmates are released from prison. The Post Release Employment Study, a seven-year, comprehensive study completed in 1991 on the long-term impact of prison industries and vocational training, supports the belief that FPI is an important rehabilitation tool that provides inmates an opportunity to develop work ethics and skills that can be used upon release from prison. It found that FPI training programs contribute substantially to lower recidivism and increased job-related success for prisoners after their release. [Ref 2: p. 3]

In addition, inmate earnings can be used for the Inmate Financial Responsibility Program (IFRP). The IFRP, which began in 1987, provides an efficient vehicle for collecting special assessments, debts to the IRS, court-ordered child support or alimony, and fines or restitution from incarcerated debtors. It encourages inmates to repay their debts voluntarily and thereby demonstrate responsible behavior. To

date, over \$67 million has been paid into this program. [Ref 2: p. 4 and Ref 10: p. 22].

Administratively, FPI is governed by a board of directors, whose members are appointed by the President of the United States [Ref 7: p 1]. The board's primary function is to balance FPI's needs to employ and train inmates with the private sector's needs for business opportunities and jobs. Part of the board's mandate is to consider FPI's proposals to enter new product lines or expand its market share in current product lines, to solicit comprehensive private sector opinion before making such decisions, and to prohibit expansion in areas that would place an undue burden on industry and labor. [Ref 5: p. 3] The board represents interests of industry, labor, agriculture, retailers and consumers; the Department of Defense; and the Attorney General (who FPI's Chief Executive Officer reports to). Disputes as to price, quality, character, or suitability of UNICOR products are arbitrated by a board consisting of the Comptroller General, the Administrator of the General Services Administration, and the President of the United States, or their representatives. [Ref 7: p. 1]

C. MARKET SHARE AND PRIVATE INDUSTRY CONCERNS

Federal Prison Industries, Inc. markets over 250 different product lines. These product lines are incorporated into five divisions within FPI: (1) Electronics, Plastics,

and Optics (products ranging from kevlar helmets to electronic cable assemblies; (2) Graphic and Services (products/services ranging from printing to laundry services); (3) Metals (products/services ranging from welding to wall lockers); (4) Furniture (products/services ranging from furniture systems manufacturing to upholstering); and (5) Clothing and Textile (products ranging from military clothing to manufacturing mattresses). The following commodities, from the list of FPI's Product lines for 1993, are only a sampling of what FPI's 82 factory operations produce at over 47 locations throughout the United States [Ref 11]:

ADP Services	Printing	Signs
Steel Storage Equipment	Food Service	Wiring
Bedding	Equipment	Curtains
Draperies	Textiles	Clothing
Gloves	Brushes	Optics
Electronics	Brooms	Mattresses
Printed Circuit Boards	Electric Cable	Bedspreads
Telephone Cable	Vehicle Repair	Maps
Office Furniture	Dorm Furniture	

As with private industry, FPI has marketing consultants located throughout the United States to assist purchasers with orders and to resolve any problems that may arise. Federal Prison Industries, Inc. has over eleven regional marketing centers throughout the United States. [Ref 12]

Because Congress and the Federal Government were responsive and sensitive to the fears and desires of American private industry, FPI was never intended, by law, to be a

threat to any one industry. To prevent private industry from feeling the effects of unfair competition from FPI in the production of any one good or service, FPI is required to diversify its products [Ref 1: p. 10]. Specifically, the Federal Acquisition Regulation states:

FPI diversifies its supplies and services to prevent private industry from experiencing unfair competition from prison workshops or activities. [Ref 13: Subpart 8.601 (c)].

Federal Prison Industries, Inc. is also required to complete a public involvement process, overseen by its Presidentially appointed Board of Directors, before it can add a new product line or significantly expand a current line [Ref 6: p. 13].

Still there is a perception that FPI is in direct competition with the private sector in its sales to the Federal Government. Some private competitors feel that the low cost of inmate labor (an average of \$1.10 per hour) gives FPI an unfair advantage in the selling price of products. They argue that having FPI as a mandatory source gives FPI an unfair advantage. Furniture makers, for example, estimate that if FPI were a private company, it would already be one of the top ten (10) makers of institutional furnishings. Because of pressure from organized labor, Congress has/is considering measures to roll back FPI. Mr. Larry Novicky, PM of the Electronics Division, stated that private industries are

continually attempting to have legislation passed to remove the mandatory source requirement. He also commented that, unlike private industry, FPI does not have constituents or lobbyists to assist FPI in this undertaking. [Ref 14 and 15]

But this assumption that FPI is in direct competition with the private industry may be incorrect. In many cases, FPI and private companies are partners in producing goods. FPI buys materials and component parts from domestic companies, and often adds to the available business of these firms; procurement from companies classified as "small businesses" can be between 25 and 50 percent of FPI's purchasing activity. [Ref 8: pages: 4, 13] FPI states that the private sector receives over 85 cents of each sales dollar through direct purchases of raw materials (nearly half or all raw materials are purchased from small businesses), supplies, services, equipment, and salaries that totalled \$354 million in fiscal year 1992 [Ref 4: p. 8]. See Figure 1.

The constraints within which FPI operates cause it to be less efficient than its private-sector counterparts. Whereas private-sector companies specialize and become highly efficient in certain product areas, FPI cannot due to its diversification mandates. Whereas private-sector companies

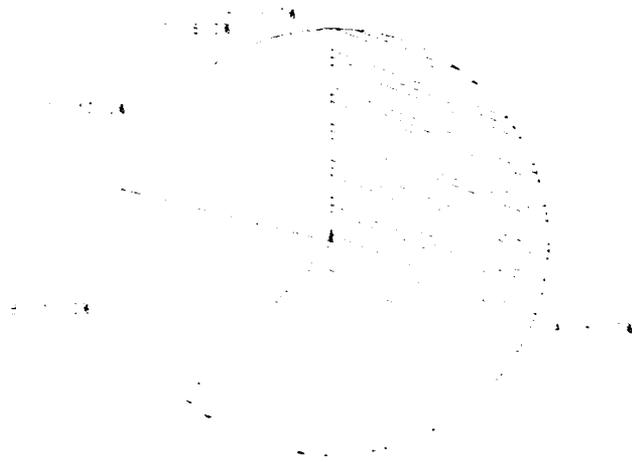


Figure 1. HOW FPI DOLLARS ARE EXPENDED. SOURCE: [4]

- A. Purchase of Materials From Private Sector
- B. Staff Salaries
- C. Utilities, Equipment, and Supplies from Private Sector
- D. Inmate Pay
- E. New Factories

strive to obtain the most modern, efficient equipment to minimize their labor costs (thus decreasing their manufacturing costs), FPI must make its manufacturing process as labor-intensive as possible in order to employ as many inmates as possible. Since FPI operates its factories in secure correctional environments, it faces additional constraints that limit its efficiency. Federal Prison Industries, Inc. labor pool is an anomaly to an efficient operation - for the most part its "employees" are poorly

educated and unskilled on arrival. It cannot control the size of its workforce but it must keep the inmates busy. It must provide 24 hour custodial care of the inmates while they work (civilian staff for security/supervision). The inmates have inherent time delays and disruptions throughout the work day (counts, searches, tool control, etc.). Also, FPI factories are occasionally forced to shut down because of inmate unrest or institution disturbances. [Ref 5: p. 3]

D. WAIVERS

Agencies are not absolutely required to buy from FPI. Federal Prison Industries, Inc. goods must be competitive as to quality, price, and delivery. The price must be competitive with current market prices. If FPI cannot be competitive, the requiring agency does not have to buy from FPI. The Federal Acquisition Regulation Subpart 8.604-8.606 states that clearance is required from FPI before products can be acquired from other sources [Ref 13]. A lower price available from another source is normally not a good enough justification to obtain a waiver from FPI. The Washington headquarters office will be consulted when contracting officers believe that a lower price is available somewhere else. Clearances are not required if FPI cannot meet an emergency need, if used or excess supplies are available, if

the products are acquired and used outside the U. S., or if orders are for listed items totaling \$25,000 or less that require delivery within ten days. [Ref 1: pages 15-16]

According to FPI, it approves most of the valid waiver requests received. Reasons given by FPI for granting waivers historically were that it could not meet the customer's product compatibility requirement or delivery date. [Ref 15: p. 6] Mrs. Linda Lambrecht, former Information Officer for FPI, stated:

For the twelve month period ending September 30, 1992, FPI received waiver requests totaling \$294 million. Approximately \$264 million (90%) of these waivers were approved. Delivery date and technical specification problems were the major reasons for granting the waivers [Ref 17].

Does FPI issue too many waivers? Mr. John Obremski, FPI's Electronics Division Assistant Manager, stated (regarding the Electronics Division):

I do not think we clear too many. We do not want to jerk the customer around if we cannot meet the delivery times or if we cannot manufacture the product. We determine with 24 hours if we can meet the customer's needs. If not, we will grant a waiver [Ref 18].

This failure of contracting activities to obtain clearances appears to be a violation of Federal law. Does the Department of the Army fail to request waivers? This question will be addressed in Chapter VI.

E. THE INDEPENDENT MARKET STUDY OF DELOITTE AND TOUCHE

The research firm Deloitte & Touche conducted a market survey of FPI in 1990-1991. There were three purposes to the market survey: (1) to identify products and markets for FPI that will have a minimal impact on private sector industry; (2) to assess the impact that FPI has had on the private sector in the past; and (3) to determine whether the laws that control FPI's procurement process need to be changed [Ref 6: p. 14]. The findings, recommendations, and conclusions of the market study are relevant to this research. It is also important to recognize here that the U.S. Congress and the Department of Justice found it necessary to study FPI's status as a socioeconomic program and its progress as a market entity [Ref 1: p.20].

Representatives of the organization met with trade associations, labor unions, and Congressional staffs. Interviews were held with over 100 private sector businesses and over 350 Federal representatives from various departments and agencies. Finally, site visits were made to FPI's corporate offices, product divisions and factories. [Ref 19: p. 11]

1. Findings of the Market Study

The following are some of the findings from the meetings, interviews, and visits, summarized from Deloitte & Touche's final report to FPI and the Congress [Ref 1]:

- a. Federal Prison Industries, Inc. received above quality ratings from its customers for its products which are built to customer specifications, such as electronics assemblies for military equipment.
- b. Lower ratings were received, relative to private industry sources, for products where specifications are based on industry standards.
- c. Prices are comparable to those found in the private sector; however FPI's customers would prefer to have a greater ability to independently evaluate FPI's specifications, prices, and production costs.
- d. Federal agencies generally rated FPI lower for delivery and customer service, especially for furniture, textiles, and clothing. The exception to this is electronics, which was rated about the same as private sources. The ratings do not appear to have anything to do with the fact that FPI employs inmates.
- e. Graphics and Services prices were lower than alternative sources, Clothing and Textiles and Furniture prices were higher than alternative sources, and Electronics and Metal products' prices were rated about the same as alternative sources.
- f. The quality of Electronics and Metal products were rated as higher than alternative sources, the quality of Furniture was rated generally lower, and the quality of Clothing, Textiles and Graphics and Services were rated about the same as for alternative sources. Overall, FPI appears to be comparable to alternative sources as far as quality is concerned.
- g. Seventy percent of the survey respondents indicated that the mandatory preference was the primary reason that they utilized FPI for its products.
- h. The variety of products in FPI's product line hampers FPI's efforts to maintain product quality and customer service.
- i. Users of products that are unique to Federal Government use and are built to detailed design specifications indicated strong satisfaction with FPI's performance.

2. Recommendations of the Market Study

Before addressing the recommendations in the study, several significant findings made by Deloitte & Touche will be presented in the following paragraphs.

More than 70 percent of FPI customers (various Government agencies) interviewed or surveyed indicated that the mandatory preference was the primary reason for utilizing FPI products. Yet, the market study found that FPI supplies only a small fraction of the products and services purchased each year by Federal departments and agencies. In 1990, the Federal Government is estimated to have purchased over \$192.2 billion worth of products and services. Of this total, according to the market study, only one-sixth of one percent was purchased from FPI. [Ref 6: p. 14]

The market study examined all the product and service classes that FPI produces and concluded that, even in this narrower universe of procurement, FPI's share of the Federal market is only 1.9 percent. Furthermore, since some private firms also have the much larger market outside of the Federal Government available to them, the market study also examined FPI's impact in the broader economy and concluded that in the industries in which FPI operates, FPI has less than one-tenth of one percent of total U.S. production, and that its impact on U.S. industries has not been significant. [Ref 6: p.14]

In spite of these high marks, the market study concluded that FPI's growth in a declining Federal Government market will continue to create controversy among private industry. This controversy would eventually undermine the very reason for FPI's existence - to operate a correctional program charged with employing and training a substantial percentage of the rapidly growing inmate population at Federal Correctional Institutions. Put simply, the market study concludes that there are no easy answers and no sizable opportunities for FPI to meet its future growth requirements through continued diversification into new products and services. [Ref 6: p.14]

The following are a few of the many recommendations that Deloitte & Touche made with regard to FPI's future as an industry. These recommendations are considered to be particularly relevant to this research:

- a. Federal Prison Industries, Inc. should continue to produce "traditional" products, such as furniture, clothing, textiles, electronic cable, and wire assemblies, and should maintain its mandatory status in these lines. It should concentrate on a small number of product lines, and sell largely to the Bureau of Prisons. [Ref 1: p. 23]
- b. Federal Prison Industries, Inc. should subcontract to U.S. businesses that provide products to the Federal Government. For example, FPI should move into markets that are not served by domestic U.S. businesses. Federal Prison Industries should form partnerships with U.S. firms to produce items that would otherwise be purchased from non-U.S. sources for the non-Government market. [Ref 1: p. 23]

- c. Federal Prison Industries, Inc. should increase its sales of services to the Government, such as printing, data entry, vehicle repair, and equipment repair services. FPI can do this without large capital investments, and can employ more inmates in these labor-intensive service industries. [Ref 1: p. 23]

F. THE STUDY CONDUCTED BY THE BROOKINGS INSTITUTION

In the spring of 1990, FPI requested assistance from the Brookings Institution in resolving one of its most challenging problems: finding a way for FPI to increase inmate employment while minimizing the Corporation's impact on private industry and labor. Using the Deloitte & Touche's findings/recommendations as a baseline, the Brookings Institution set up committees/subcommittees to formulate the best proposals on "how should FPI grow?" [Ref 5: p.1]

Over a two-year period, the Brookings Institution used various methods of developing strategies that would benefit FPI in the long term. During the first phase, an advisory committee composed of Congressional staff, U.S. Department of Justice officials, and trade and labor association representatives worked with the Brookings Institution to plan the best follow-up to the Deloitte & Touch Market Study. [Ref 5: pages 7-8]

1. Findings of the June 4-6, 1992 Summit

A "summit" was held on June 4-6 1992 consisting of a cross-section of business, labor, Congressional, corrections,

and other Government personnel. The following are some of the findings agreed to by the participants [Ref 5: p. 8]:

- a. Inmates should work.
- b. FPI should remain self-sufficient
- c. FPI needs to increase employment to keep pace with the expanding population.
- d. Industry and labor need to have more input into decision-making about whether FPI can expand production or enter a new product.
- e. There is a need to cap FPI's market share in certain product areas so long as adequate inmate employment levels can be maintained.
- f. There is a need for more data about the Government market, particularly when it comes to establishing market share.
- g. Federal Prison Industries, Inc. should make every reasonable effort to minimize the impact its operations have on private industry and labor.

2. Proposed Growth Strategies

Based on the initial findings, the Brookings Institution formed a committee named the Growth Strategies Group. Its purpose was to study specific growth strategies proposed by the Deloitte & Touche Market Study and to provide recommendations/observations. The following is a summary of the proposals made by the Growth Strategies Group:

- a. Because of its low labor cost, it was determined that FPI could be competitive with offshore labor in certain arenas in terms of price, quality, and timeliness of delivery. Group proposed that FPI be permitted to enter into partnerships with private sector industries to repatriate certain segments of American industry. The Group commented that FPI's participation in these partnerships would have very

little impact on the overall domestic market. It was noted that several legislative changes would be necessary to enact this proposal. [Ref 5: pages 9-10]

- b. The Group agreed on the common goal and direction that FPI must expand in services as a result of the need to move away from traditional industries. It also recommended that FPI should make every effort to consult with the affected industries before expanding in an effort to determine what constitutes a reasonable share of the market. [Ref 5: p. 10]
- c. The Group looked at ways to involve FPI as a subcontractor to Government prime vendors rather than acting as a prime vendor itself. Subcontracting would include providing finished components, providing labor to manufacture items out of raw materials provided by the customer, and performing simple or complex assemblies of materials provided by customers. The subcontracting strategy would benefit Government prime contractors by making more contracts available to them - and because of projections built into the FPI proposal, it would benefit small and disadvantaged businesses. Again, the Group strongly believes that certain legislative changes will need to be made. [Ref 5: p. 12]

G. SUMMARY

Contracting personnel must strive to understand the reasons why FPI exists, the benefits that FPI brings to society in the form of increased inmate control, and the problems that contracting activities experience with FPI. An understanding of FPI's shortcomings and the reasons for those shortcomings is necessary before contracting personnel can begin to formulate strategies on how to better deal with FPI. This chapter provided an insight into the background of FPI and the many subtleties of its operations. In addition, the findings/recommendations of two independent research firms

were introduced. Both of these surveys were conducted to provide feedback not only to FPI but to other various Federal Government Agencies and private industries. These studies were conducted using all Federal Agencies as a target audience. The researcher's survey can be considered a microcosm of these studies - focusing on DA field contracting activities. The researcher is curious to see if similar findings and conclusions are made with this target audience. In the following chapter, the methodology/rationale used in analyzing the survey will be discussed.

III. RESEARCH METHODOLOGY

A. GENERAL.

This research relied on both quantitative and qualitative data collection, such as interviews, factory visits, and a survey. The objective of this chapter is to present the methods/rationale used in identifying interviewees, selecting a sample, developing and administering a survey, and analyzing the data.

B. INTERVIEWS AND FACTORY VISITS

The researcher visited three of FPI's factory sites located at the Federal Bureau of Prison's facilities in Lompoc, CA and Dublin, CA. Interviews were held with ten factory managers and administrative personnel at these sites. Information gained through the interviews is used throughout this document to interpret FPI's position on a particular topic. The facts and findings from the factory visits are presented in Chapter IV.

C. SURVEY.

The survey was developed and administered in order to assess the DA's field contracting activities' use of FPI. The methods for selecting the survey recipients (target audience), and constructing the actual questionnaire (survey design) are presented in the following paragraphs.

1. Target Audience.

A document prepared by the U.S. Army Contracting Support Agency titled *Army Contracting Organization and Management Data* was used as the starting point for identifying specific survey participants. The document listed over 26 active duty Army Contracting Organizations that are subdivided into 195 offices. Out of the 195 contracting offices, 24 are located outside the United States and are considered foreign offices - which exempts them from procuring from FPI. The target audience that was selected was DA field contracting activities. A target sample was then built using the following definition for field contracting activities: contracting activities that provide contracting support/services for DA military installations and that have a high population of military personnel. Out of the 26 active duty Army Contracting Organizations, three met the defined criteria and were selected. The three Army Contracting Organizations selected were comprised of 42 contracting offices. Therefore, the ultimate target audience consisted of 42 field contracting activities. [Ref 20: pages 1-86]

Before mailing the surveys, an attempt was made to telephonically contact each contracting activity to verify its address and to identify a point of contact. To ensure the survey questions were not ambiguous, the survey was mailed to a DA contracting specialist (belonging to a contracting

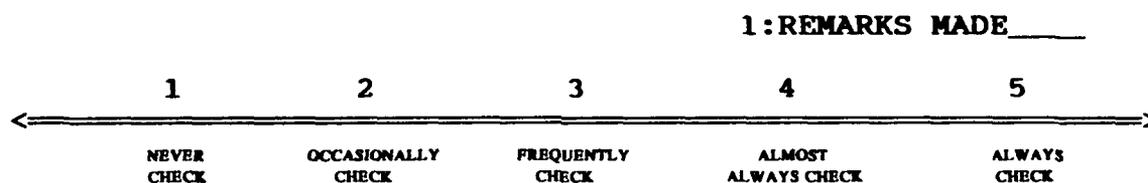
organization outside the target audience) to complete. The individual was telephonically contacted and asked to provide his/her interpretation of each question. Based on the individual's responses, corrections were made to the survey. Once this was completed, the surveys were mailed - 13 August 1993. The original cutoff date was 17 September 1993. As of 15 September 1993, only 18 surveys (42%) had been received. The 24 activities that had not responded were contacted to learn if they had received the survey. Of the 24 activities contacted, 18 stated they had not. The other six stated that either "it was sitting on my desk" or that they were not going to fill it out. Another survey was sent on 17 September 1993 to the 18 activities that stated that they had not received the survey via "fax." Only three surveys of the 18 were returned by the cutoff date of 8 October 1993. A total of 21 activities responded to the survey - a 50% return rate.

2. Survey Design

The survey was designed with the intent that it would not be time consuming for the respondent to complete and that the questions were not ambiguous. In addition, the survey was designed to produce results that would allow for statistical analysis. To accomplish this, the survey consisted of three different types of questions: scaled responses; selection; and open-ended. The survey consisted of a total of 18

questions. A survey questionnaire, as it was mailed to the survey population, is shown in Appendix B.

The first type of question consisted of scaled responses to a series of statements with which respondents could answer on a range of "1" being the lower end of the scale to "5" being the highest end of the scale. In addition, a block was provided for respondents to check-mark if they made statements amplifying their answer. A blank space was left at the end of the survey for any additional comments. There were six of these type questions in the survey. An example of a bar scale as it appeared on the questionnaire is shown below.



The second type of question allowed the respondent to identify and select an answer or answers from a list of items. The rationale for using this type of question was to assist the respondent by two means: one by refreshing his knowledge base on the different products/services offered by UNICOR; and two by making it easier for the respondent to answer. There were four of these questions in the survey.

An example of this question as it appeared on the questionnaire is shown below.

3. Please put a check mark next to those products/services that you never procure from UNICOR:

- Metal (e.g., cabinets, wall lockers, shelving, food service items: trays, carts)
- Furniture (e.g., office: desks, chairs; barracks: desks, night-stands, wardrobes)
- Plastics (e.g., kevlar helmets, personal armament)
- Optics (e.g., safety eyewear, prescription eyewear)
- Textiles/clothing (e.g. mattresses and bedding, linens, brooms, tents, mens outerwear)
- Electronics (e.g., cable assemblies, extension cords, wiring harnesses, radio mounts)
- Data and Graphics (e.g., printing, binding, signs, data entry)

The third, and final type of question was composed of open-ended items relating to the respondents' opinions/views of the benefits/drawbacks of procuring products/services from UNICOR. In addition, respondents were queried on the customers (end-user) satisfaction level of the products/services. Finally, the respondents were asked to make recommendations in improving the procurement process with UNICOR. This style of question was used with the intent to identify any salient themes or ideas that appeared repeatedly in the written comments. There were six of these type of questions in the survey.

3. Survey Analysis.

Each of the scaled questions were analyzed separately. Each respondent indicated his/her response by circling one of

the scores on the bar. The responses were then tallied to determine the mean response for each question statement.

There are three primary values reported for each question: the mean score; the standard deviation; and the 95% confidence range. The mean is defined to be the sum of the data divided by the number of pieces of data. The standard deviation measures the variation in a data set by determining how far the data values are from the mean. The final evaluation value is the confidence interval which depicts the range into which one can be 95% confident that the true population mean falls, given the sample size, standard deviation, and a 5% significance level. This information will be used to provide the analysis in Chapter IV. [Ref 21: pages 70, 86, 506]

To analyze data for the selection and open-ended questions, a "coding process" will be employed. Data selected by the respondents will be sorted into analogous groups. The groups will then be categorized by subject matter and examples for each will be given. For those items that cannot be grouped, a category "other" will be established. After this process has been completed, a percentage breakout of the respondents' selections will be possible.

D. SUMMARY.

This chapter provided a discussion of the methodology/rationale used in performing the thesis research.

An explanation of how the target audience was selected and how the questionnaire was designed was presented. In addition, the methods that will be used for the discussion/analysis of the questionnaire were introduced. The following chapter will present the survey results and the facts and findings discovered in the factory visits and interviews.

IV. DATA AND ANALYSIS

A. GENERAL

The results of the FPI factory visits, interviews, and surveys, are presented in this chapter.

B. FEDERAL PRISON INDUSTRIES, INC. FACTORY VISITS

To gather a better understanding of the operations of FPI, the researcher visited three FPI factories. The institutions visited were selected based on proximity and diversification of products manufactured. The following paragraphs summarizes the observations made during the visits

1. Observations at the United States Penitentiary, Lompoc, CA.

The first institution visited was the U.S. Federal Penitentiary at Lompoc, CA on 19 August 1993. It is a maximum security prison. The institution has three factories: electronic; sign; and print. The electronics factory produces cable assemblies, extension cords, trouble lights, harnesses, printed circuit boards, telephone cable, and repair/refurbishment services with monthly sales averaging \$550,000 [Ref 22]. The sign factory produces professional signs/graphics varying in size and material with monthly sales averaging \$225,000 [Ref 23]. The print shop turns out millions of booklets, pages, sheets, and documents monthly with monthly sales averaging \$200,000 [Ref 24]. At the time

of the visit, 1680 inmates were incarcerated with 502 inmates being employed by FPI (29.8%). According to Associate Warden Harry Johnson, the Superintendent for Industries, inmates are employed in various jobs once they arrive at the Institution. With few exceptions, all inmates have daily duties/work to perform. The opportunity for employment in the FPI factories is based on time in the institution, education and "outside" work experience. There is a waiting list for working in the FPI factories. At the time of this visit, the average waiting time for the three factories was 14 months. Inmates with a job skill that is in high demand, for example, can be placed in front of the list. To keep a trained labor pool, many inmates are trained in certain skills once they arrive at the institution and then placed on the waiting list. [Ref 25]

There is a high demand to work in the various FPI factories. The biggest driver for this is the higher wages paid in the factories. Since the pay scale is much higher than other employment at the Institution, inmates quickly get on the FPI waiting list. According to information provided by Mr. Andy Day, Electronics Factory Manager, the compensation for specific paygrade levels throughout FPI, is as follows [Ref 22]:

<u>Grade</u>	<u>Payrate Status</u>
1	\$1.15
2	.92
3	.69
4	.46
5	.23

Grade one is the highest level, requiring a high school degree or equivalent, and is the highest technical competency level. By comparison, the minimum requirement for entering at grade five is a sixth grade education. [Ref 1: p. 29] Mr. Day also explained that there is a premium rate of \$.20 an hour for the inmates that are considered a lead-person (exceptional workers) [Ref 22]. There are longevity increases of pay also:

<u>Months of Service</u>	<u>Increase per hour</u>
18	\$0.10
30	.15
42	.20
60	.25
84	.30

It takes a minimum of 30-90 days to increase from one pay level to the next. When applicable, the wages are taxed. One of the interesting aspects of the wage compensation issue is that for every dollar an inmate sends home to his family, perhaps a potential welfare dollar expense by the Government is avoided. [Ref 1: p. 29]

Due to the violent crimes that the inmates have committed, security is at a high level. These inmates require

more watching and care, generally, than do the inmates at a Federal Correctional Institution or a Work Camp, which have lesser security requirements [Ref 1: p. 30]. Because of the necessity of tighter security requirements, such as random searches and tool control, the inmates produce less than the private industry's standard eight hour work day. The average inmate production for FPI's factories in this Institution was six hours a day [Ref 25]. These security measures are necessary for the safety of the inmates and staff but can be considered costly in monetary terms to FPI's factory operations.

Each factory operation has its own Quality Assurance (QA) program. At each factory visited, QA was stressed by the factory managers. In addition, two members of the Defense Contract Management Command are located at the Institution to ensure Governmental standards and specifications are being met. Mr. Day was quick to point out that the inmates take pride in their work and are part of the QA process. For instance, the electronics factory has 38 QA inmates who were trained and supervised by three of his staff members (one quality manager and two quality specialists). According to Mr. Day, 100% of all items (inprocessed) are inspected. The electronics factory also uses statistical process control in its QA. The researcher also found this level of consistency in QA at both the sign and print factories. [Ref 22]

Both the sign and print factories were equally, if not more, impressive than the electronics factory. It was easy to forget that one was inside a Federal Prison when touring these modern factories. The factories were clean, well organized and used advanced technology such as computer aided graphics for making templates for signs and forms. All three factories produced, in the researcher's opinion, a quality product.

2. Observations at the Federal Correctional Institution Facility, Lompoc, CA.

The Federal Correctional Institution at Lompoc, CA was visited on 19 August 1993. This is a minimal security prison. It has only one factory that produces 67 various wood and furniture products with average monthly sales of \$500,000. At the time of the visit, the Institution housed 1050 inmates with 210 inmates (20%) employed by FPI. Mr. Joe Ludgate, the Furniture Factory Manager, stated that the waiting list for employment at this institution was approximately one year. The factory used an assembly type production system and was well organized. Inmates were cross-trained in various production/assembly lines and were often rotated throughout the production/assembly process. QA was supervised by one staff specialist with the assistance of 14 inmates. Mr. Ludgate stated the turnaround time (from receipt of order to shipment) was averaging around six months with his goal being four months. He added that the production time for inmates at

his factory was five hours. He also stressed the importance of FPI to the training/teaching of the inmates. Employment in the factory not only gives the inmate job skills that are marketable outside the institution - it teaches the inmate how to be punctual and how to work with others. [Ref 26]

3. Observations at the Federal Correctional Institution Facility, Dublin, CA.

The Federal Correctional Institution (FCI) at Dublin, CA was visited on 26 August 1993. This FCI is a female institution that incarcerates all levels (minimum to maximum security) of inmates. On the day of the visit, 903 inmates were housed with FPI employing 337 of the population (33.5%). FPI has three plant operations at this institution: Automated Data Processing; Furniture; and Cut and Sew.

The Automated Data Processing (ADP) factory's operation consists of transferring all types of data entry functions, from transcription of Department of Defense health records to magnetic tape, to label addressing, and payrolls. Its largest business is doing work for the U.S. Patent Office. Its current year sales as the day of the visit was \$53,417. According to Ms. Eileen Klingbeil, the Assistant ADP Factory Manager, since this is tedious work and possibly error prone, QA is important. QA is controlled by the inmates. All work is typed twice on word processors by two separate inmates to ensure accuracy. Another example of the ADP's quality control

process is that all U.S. Patent work is read by six inmates to detect any errors. Ms. Klingbeil commented on the factory's short turnaround time and of the willingness of the inmates to work around the clock if needed to get any job completed. The furniture factory's main area of production is the new line of FPI's Centurion II system furniture. At the time of this visit, the factory had been producing this line of product for only one month. On the average, this factory's sales have been \$350,000 a month. Each piece of furniture is checked for defects at each stage of the production process, as well as when it is delivered to QA as a final product. When asked about the employment of females in a traditional male role, Mr. Ralph Rogas, Acting Furniture Factory Manger, stated that in his experiences with working with males and females in the production of furniture that he considered females better employees. He added that the women were more willing to learn, more attentive to detail and were more concerned with producing a quality product. There were drawbacks though. Understandably, the women could not lift as heavy as an item as the men so the factory could not produce any one finished good that weighed in excess of 800 lbs. [Ref 27 and 28]

The cut and sew factory is the only type of its kind in the FPI system. It manufactures draperies, bedding, and various other textile products such as emergency disaster blankets used during Hurricane Andrew. Inmates receive

"pre-industrial training" from professional tailors during their first 90 days on the job [Ref 1: p. 33]. At the time of this visit, the Cut and Sew Factory had experienced a monthly loss of \$36,000 due to the incorrect pricing of one of its products. On the average, its monthly sales are \$40,000. The researcher was impressed with the multitude of sizes, patterns, and colors of products that this factory produces. Again, as found in the other factories in this institution, the inmates take great pride in their work and QA is implemented throughout the manufacturing process. [Ref: 29]

C. SYNOPSIS OF QUESTIONS, ANSWERS, AND ANALYSES

1. Question One

In general, do your buyers check with UNICOR for availability of products/services?

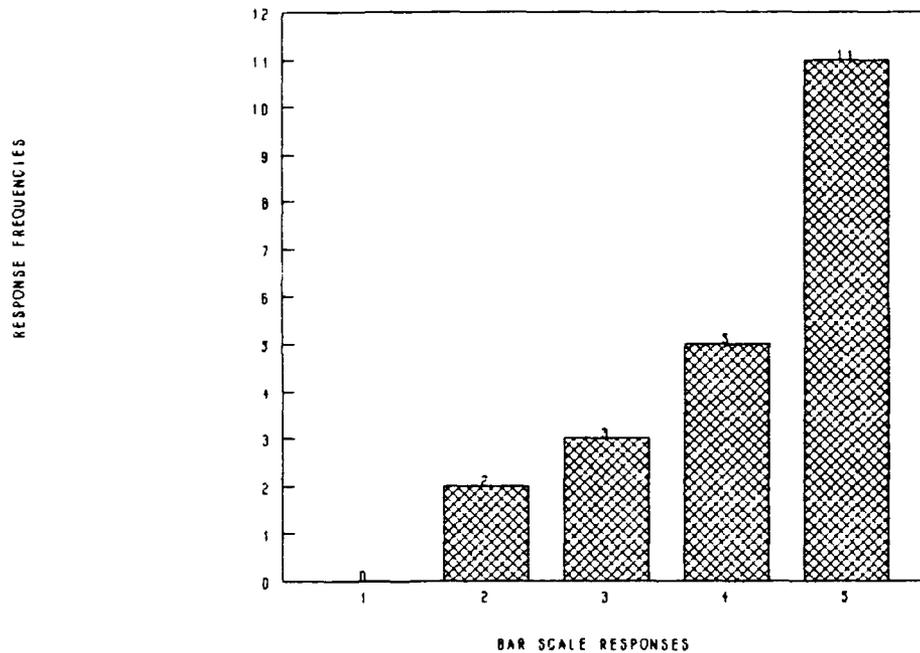
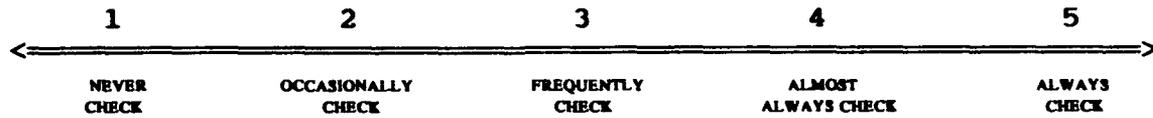


FIGURE 2. RESPONSES TO QUESTION 1.

Mean score: 4.190
Standard Deviation: 1.030
CI Range: 3.721-4.660

Question 1 Narrative Analysis.

Most activities claim to check with FPI as required by the FAR. Ten of the activities (48%) indicated that they do

not always check. No reasons were indicated on the respondents' surveys for this apparent violation of the regulation.

2. Question Two

If your answer was two or higher on the above question, which products/services do you procure from UNICOR? Please estimate the percentage of each product/service that you procure from UNICOR (e.g., 60% Metal; 40% Furniture). Note - total of percentages should add to 100%.

- 12% Metal (e.g., cabinets, wallockers, shelving, food service items: trays, carts)
- 56% Furniture (e.g., office: desks, chairs; barracks: desks, night-stands, wardrobes)
- 1% Plastics (e.g., kevlar helmets, personal armament)
- 11% Optics (e.g., safety eyewear, prescription eyewear)
- 6% Textiles/clothing (e.g., mattresses and bedding, linens, brooms, tents, mens outerwear)
- 1% Electronics (e.g., cable assemblies, extension cords, wiring harnesses, radio mounts)
- 13% Data and Graphics (e.g., printing, binding, signs, data entry)

Question 2 Narrative Analysis.

Sixteen of the twenty-one respondents (76%) answered this question in the format indicated in the survey. The mean score (percentage) of each category is listed above. It appears that the products/services purchased most frequently, in priority order, are:

- 1) Furniture
- 2) Data and Graphics
- 3) Metal
- 4) Optics
- 5) Textiles
- 6) Plastics
- 7) Electronics

3. Question Three

Please put a check mark next to those products/services that you never procure from UNICOR:

- Metal (e.g., cabinets, wall lockers, shelving, food service items: trays, carts)
- Furniture (e.g., office: desks, chairs; barracks: desks, night-stands, wardrobes)
- Plastics (e.g., kevlar helmets, personal armament)
- Optics (e.g., safety eyewear, prescription eyewear)
- Textiles/clothing (e.g., mattresses and bedding, linens, brooms, tents, mens outerwear)
- Electronics (e.g., cable assemblies, extension cords, wiring harnesses, radio mounts)
- Data and Graphics (e.g., printing, binding, signs, data entry)

This question was asked to provide possible insights into what DA field contracting activities would never find necessary to buy from FPI. More than one product/service could have been checked by each respondent.

	<u>R</u>	<u>Percent</u>
Metal.....	2	9%
Furniture.....	0	0
Plastics.....	19	90
Optics.....	13	62
Textiles.....	5	24
Electronics.....	15	71
Data and Graphics.....	3	14

Legend

R = Number of Respondents

Percent = Number of Respondents that chose that commodity divided by the total number of respondents (21).

Question 3 Narrative Analysis.

The greatest percentage (90%) of the respondents indicated that they never procure plastic products. In addition, a high number of respondents indicated that they do

not procure electronic (71%) or optic (62%) products/services. All in all, the data in Question Three are consistent with the data in Question Two.

Without question, DA field contracting activities do use FPI's furniture products. Only a small percentage does not procure metal products. A high percentage of the activities indicated that they never procure plastic, electronic, and optic products/services. This could mean one of the following: (1) the activities are dissatisfied with FPI's performance with those products/services; (2) they do not know that FPI has a capability in those areas; (3) FPI cannot compete with the prices that other vendors quote; or (4) the activities simply do not need the products. This is significant due to the high percentages (over 50%). [Ref 1: p. 41]

4. Question Four

If you do not award contracts to UNICOR, what are the reasons why? Please check all that apply:

- UNICOR's quality is poor.
- Prices are too high, not competitive, or unreasonable.
- Lead times/delivery times are poor or unreasonable.
- UNICOR is not responsive (displays no sense of urgency).
- UNICOR is too difficult to contact.
- UNICOR's sales agents are difficult to deal with/not responsive.
- UNICOR's does not offer the products/services I need.
- Was not aware that UNICOR offered the products/services I needed.
- Other _____

Sixteen activities answered this question. It is assumed that the respondents interpreted this question as "When I do not buy from UNICOR, it is because . . ." More than one reason could have been selected by an activity. The data are as follows:

	<u>R</u>	<u>Percent</u>
UNICOR's quality is poor.....	0	0%
Prices are high.....	7	44
Lead times/delivery times are poor.....	13	81
UNICOR is not responsive.....	5	31
UNICOR is too difficult to contact.....	3	19
UNICOR's sales agents are difficult....	2	6
UNICOR does not offer the products.....	4	25
Was not aware that UNICOR offered.....	2	6

Legend

R = Number of Respondents

Percent = Percentage of total activities that answered the question (16).

The following responses came under the "Other" heading:

- a. UNICOR Cannot meet the delivery date required (high priority).
- b. Critical need require a waiver.
- c. Some items are depot furnished - do not know where they're procured.

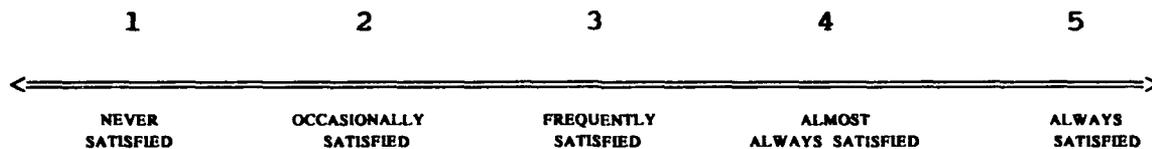
Question 4 Narrative Analysis.

A large number of the respondents indicated that the lead times/delivery times are poor or unreasonable. In addition, a significant number (over 25%) of the respondents indicated that they considered FPI's prices not competitive, that it is not responsive to their needs, and that it does not

offer the products/services they need. Only a small percentage indicated they were not aware of the products offered or that its agents were difficult to deal with/not responsive. No contract activity indicated that they considered FPI's product quality poor.

5. Question Five

If you have awarded contracts to UNICOR, would you say that the end-using activity was satisfied with the products/services to the best of your knowledge? Why or Why not?



[See Figure 3 on the Following Page]

Mean score: 2.952
Standard Deviation: 0.921
CI Range: 2.533-3.372

Question 5 Narrative Analysis.

The mean score suggests that the majority of the end-using activities were frequently satisfied with FPI's products/services. However, 62% of the respondents wrote comments stating that long/lead delivery times was the main factor that the end-user was not satisfied with FPI's products/services. Nineteen percent indicated that prices were high. The following comments were also given for end-user dissatisfaction:

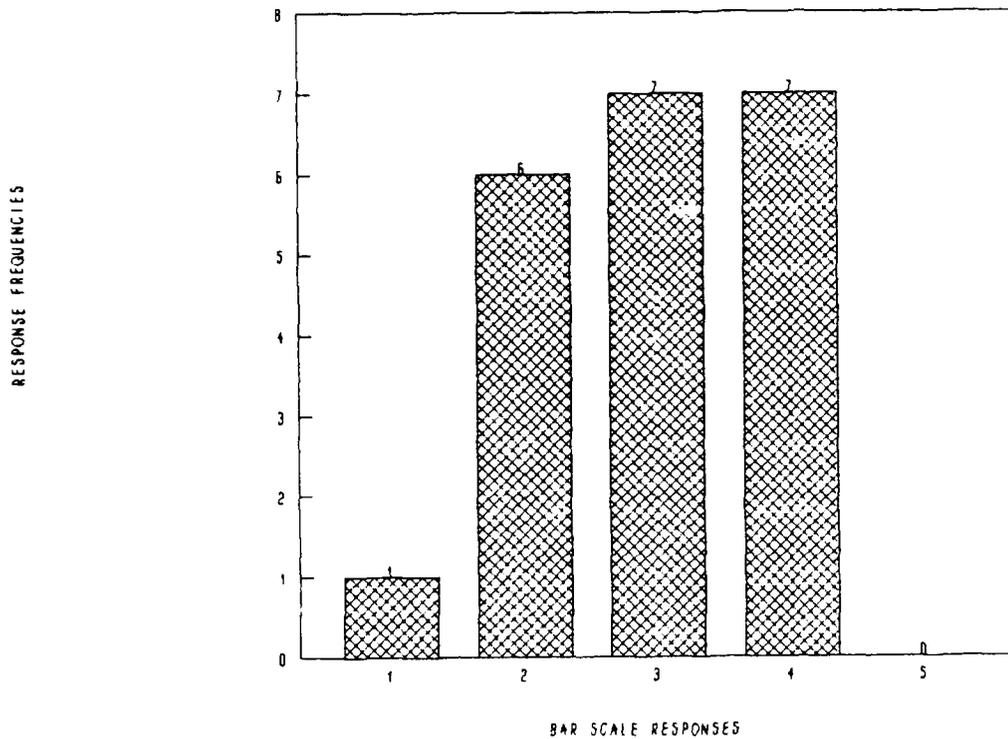


FIGURE 3. RESPONSES TO QUESTION 5.

- a. System furniture: component parts are frequently missing.
- b. They prefer to go to their recommended source; mostly because of inadequate planning of needs on the end-users part.

6. Question Six

When was the last time you received training and/or updated information from UNICOR?

- _____ (1) Within the last month
- _____ (2) Within the last quarter
- _____ (3) Within the last year
- _____ (4) Within the last three years
- _____ (5) Never

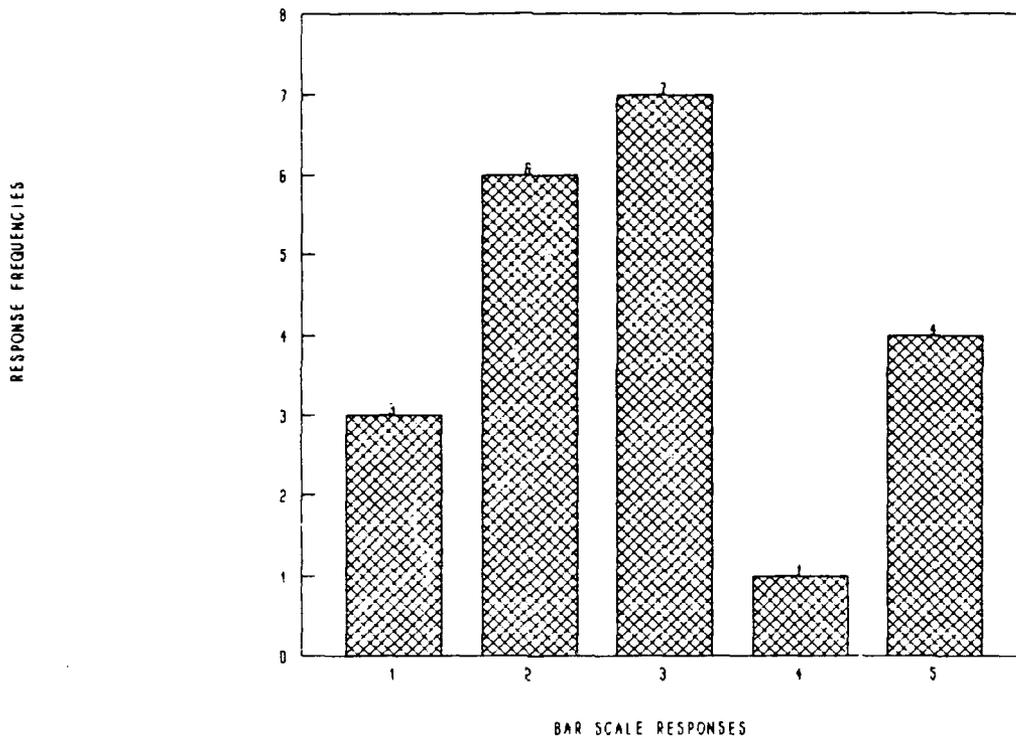


FIGURE 4. RESPONSES TO QUESTION 6.

Mean score: 2.857
Standard Deviation: 1.315
CI Range: 2.259-3.456

The five listed responses were coded with the numbers one to five as listed above. The number of responses for each is shown in Figure 4.

Question 6 Narrative Analysis.

The mean score and CI suggest, on the average, the activities receive training/updated information at least annually. Of particular concern to the researcher are the 20% of the respondents that answered that they had never received

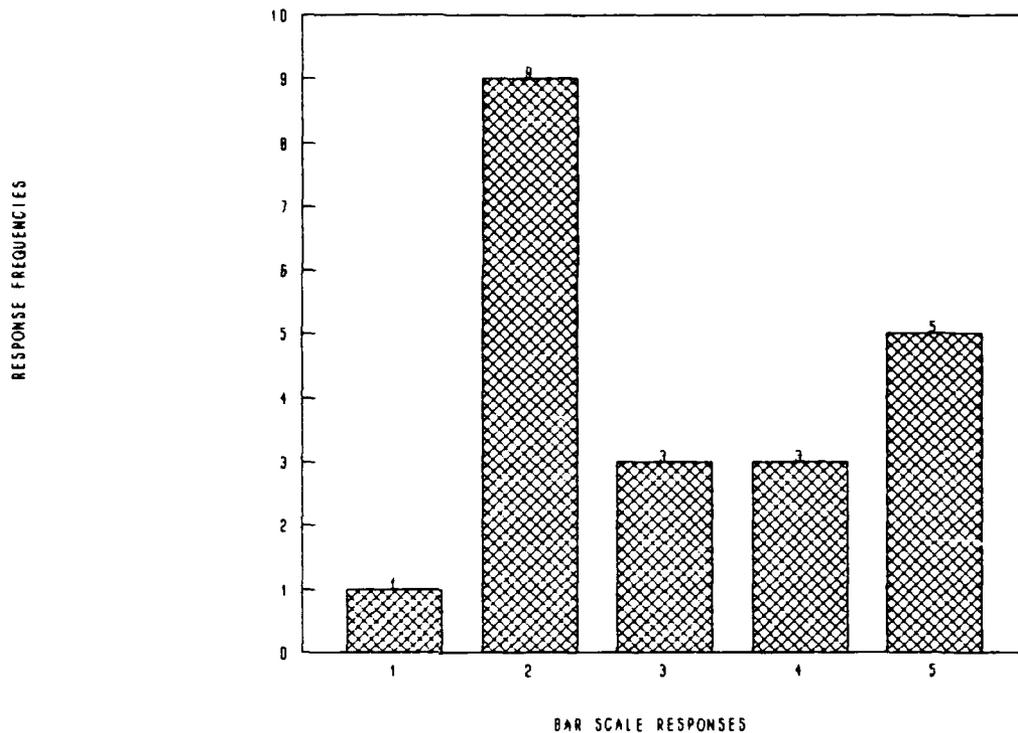


FIGURE 6. RESPONSES TO QUESTION 8.

Mean score: 3.095
Standard Deviation: 1.338
CI Range: 2.486-3.704

Question 8 Narrative Analysis.

The mean score of this question shows a less than favorable response - the majority of DA activities are not satisfied with FPI's efforts. It appears that FPI's plan for getting the product/price information to the activities needs refinement. Also, there could be a possibility the product/price information is not being addressed to the right individual.

9. Question Nine

If the answer to (8) was two or below, what would you recommend that UNICOR do to get you more information about their capabilities, products/services, etc. that would be helpful for you to know?

Eleven activities met the criteria for this question and gave comments. The responses were coded in order to combine similar responses. They are listed in order of frequency, with the number of similar responses and percentages annotated after the comment - many respondents made more than one comment.

- a. Update prices and product lists (11 out of 11: 100%): Need to send pricing update as soon as new prices are known; send out new catalogs and price changes w/o having to ask.
- b. Representatives from FPI should increase its site visits (4 out of 10: 40%): Make site visits to their servicing installations; [FPI] needs to have a customer representative visit their customers - find out what the complaints/recommendations are and make themselves readily available

The following recommendations appeared once each:

- c. Direct the literature to a specific person's attention (i.e., Chief of Purchasing).
- d. Publish a quarterly catalog for all supplies/services furnished.
- e. Establish a good working mailing list to ensure all updates are provided timely.

Question 9 Narrative Analysis.

All of the activities that responded to this question commented on the fact that FPI needed to get timely product information and updated price listings to their contracting

offices. Over 40% responded that more site visits by FPI's marketing representatives are necessary.

10. Question Ten

What recommendations would you make to UNICOR's headquarters to make their company more useful/valuable to you as a contracting specialist/buyer?

There were 18 responses to this question - many with more than one recommendation. The responses were coded in order to combine similar responses. They are listed in order of frequency, with the number of similar responses and percentages annotated. In addition, examples of respondents' comments for each category are given:

- a. Improve delivery times (12 out of 18: 67%): Make delivery dates adequate; have a more realistic delivery date.
- b. Improve customer service (8 out of 18: 44%): Improve accessibility to key personnel - telephone calls are seldom returned in a timely manner; upgrade customer service with more people and phone lines.
- c. Update product/price information (3 out of 18: 17%): Provide up-to-date pricing; user friendly catalog/reference material.

The following recommendations appeared once each:

- d. Educate the customers by letting them know the benefits UNICOR has to offer such as competitive pricing.
- e. Send orders directly to the factory instead of their headquarters.
- f. FPI should realize they are a business selling a product/service and not just a mandatory source.
- g. Respond to requests for quotations in a timely manner.

Question 10 Narrative Analysis.

More than 40% of the respondents recommended that FPI should improve its delivery time and its customer service functions. Again, the recurring theme of customer dissatisfaction in the long lead/delivery times of products/services is conveyed. From the high percentages displayed, there is a perception by the DA contracting activities that FPI's focus on customer satisfaction is lacking.

11. Question 11

What do you think are the benefits for your contracting activity in procuring from UNICOR?

All of the activities responded to this question. The responses were coded in order to combine similar responses. They are listed in order of frequency, with the number of similar responses and percentage annotated. In addition, examples of respondents' comments for each category are given:

- a. Reduction in the Procurement Administrative Lead Time (PALT) because competition is not required (12 out of 21: 57%): Being able to make last minute year end buys with out need to get competition to make a formal contract; reduction in PALT due to single source acquisition.
- b. No benefits (5 out of 21: 24%): None at this time; none, except keeping prisoners busy.

The following comments appeared once each:

- c. Good quality.
- d. Meeting regulation requirements.
- e. First, its FAR law. Second, it saves the Government money by employing those who are in our penal system.

Question 11 Narrative Analysis.

Over 50 percent of the respondents appeared to consider FPI's main benefit to their contracting office the ability to procure without the use of competition - thus reducing their PALT. However, over 20 percent felt that FPI did not offer any benefits. It is interesting to note that only one activity showed enough confidence in FPI's quality to perceive it as a benefit.

12. Question Twelve

What do you think are the drawbacks for your contracting activity in procuring from UNICOR?

All of the contracting activities responded to this question. The responses were coded in order to combine similar responses. Some respondents made more than one comment. The responses are listed in order of frequency, with the number of similar responses and percentages annotated. In addition, examples of respondents' comments for each category are given:

- a. Long lead/delivery times (19 out of 21: 90%): Not getting timely deliveries; poor delivery.

- b. High prices (3 out of 21: 14%): Unreasonable prices; excessive costs.
- c. Poor quality (2 out of 21: 9%): Negative feedback from the end-users regarding quality; poor quality.

The following comments appeared once each:

- d. Customer complaints and embarrassment due to last minute delays on very visible projects which required a formal contract as a result.
- e. Difficulty in obtaining a waiver and being a mandatory source.
- f. FOB origin - if we have transportation damage claims our customers lose their funds.
- g. Need to be aware of changes and updates on the contracts and catalogs.
- h. Do not get timely responses from FPI.

Question 12 Narrative Analysis.

The majority of the respondents (over 90%) indicated that delivery times are too long. A smaller percentage (under 15%) felt that the Government could obtain a more competitive and reasonable price on the private market and that the quality of the products/services they received was not satisfactory. The comments that appeared only once reflect comments that have been made in previous questions.

13. Question Thirteen

What do you think would be the benefits for your customers (end-users) of using UNICOR's products/services?

Eighteen of the activities responded to this question. The responses were coded in order to combine similar responses. They are listed in order of frequency,

with the number of similar responses and percentages annotated. In addition, examples of respondents' comments for each category are given:

- a. No benefits (9 out of 18: 50%): None, except that it pays for the prisons; as things stand now, none, the long lead time far outweighs any perceived savings in price.
- b. Good quality (4 out of 18: 22%): The quality and workmanship; good quality.

The following comments appeared once each:

- c. The ability to obtain additional quantities of a specific product under a sole source procurement allows standardization (i.e., system/modular furniture).
- d. Competitive prices.
- e. Once established and past memories of delivery nightmares can be overcome, the customers will see a savings in their budget which will allow more flexibility in future requirements.
- f. Obligate monies quicker.
- g. Faster procurement processing time.

Question 13 Narrative Analysis.

A significant number of activities (50%) commented that there was no benefit for their customers from using FPI's products/services. Again, as in earlier questions, only a small percentage (under 23%) of the respondents found the quality of products/services offered by FPI worthy of mentioning as a benefit. With the 50/50 split of comments given, it appears that DA contracting activities are divided

in their opinions of whether benefits accrue to the customers (end-users) by using FPI's products/services.

14. Question Fourteen

What do you think would be the drawbacks for your customers (end-users) of using UNICOR's products/services?

Twenty of the contracting activities responded to this question. The responses were coded in order to combine similar responses. They are listed in order of frequency, with the number of similar responses and percentages annotated. In addition, examples of respondents' comments for each category are given:

- a. Long/lead delivery times (14 out of 20: 70%): Delivery time is too long; drawbacks include long delivery lead times.
- b. High prices (4 out of 20: 20%): Too costly; high prices.
- c. Poor quality (3 out of 20: 15%): Mostly the quality of end items; poor quality products being forced on them.
- d. No drawbacks (2 out of 20: 10%)

The following comments appeared once each:

- e. Samples of products are not readily available for inspection/testing.
- f. Response time on status or pending orders.
- g. Damage of goods. Packing is not always adequate.

Question 14 Narrative Analysis.

These responses almost mirror the comments given in Question 12. Again, the contracting activities consider FPI's

long lead/delivery times, noncompetitive prices, and poor quality as a drawback for their customers in using FPI's products/services.

15. Question Fifteen

If you have contracted with UNICOR in the past, please estimate the number of contracts that you award to them per year and the dollar amount of those contracts?

Eighteen of the contracting activities responded to this question. The dollar figures have been rounded to the nearest \$100. Their responses follow:

<u>Number of Contracts</u> <u>Per Year</u>	<u>Dollar Amount</u> <u>Per Year</u>
50	\$533,900
200	571,200
38	886,400
11	40,100
46	216,500
60	300,000
33	128,100
25	2,700,000
65	840,000
54	212,000
6	275,000
7	39,100
80	1,000,000
26	782,200
52	1,000,000
28	313,500
60	412,800
150	200,000

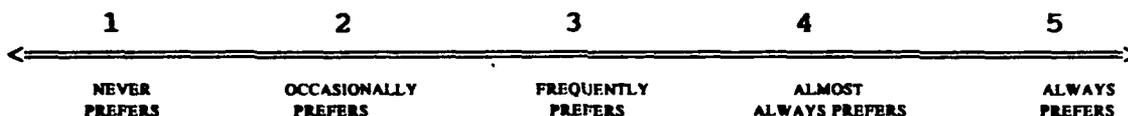
Question 15 Narrative Analysis.

This question was asked to ascertain the dollar amount DA field contracting activities spend in procuring FPI's

products/services. The majority of the respondents listed the information by fiscal year (FY). The data listed here is for FY 92. The total number of contracts came to 991 with purchases exceeding \$10,457,000. The mean score for the contracts awarded was 55 (rounded to nearest whole number) with the mean score for purchases being \$580,993 (rounded to the nearest dollar). But these numbers must be taken in the context that they were given - they are estimates. Given the instructions in the cover letter (See Appendix A), some of these numbers are probably inaccurate. Taking this into consideration, one can still see that the DA field contracting activities award many "high dollar" contracts to FPI.

16. Question Sixteen

To what extent would you say that there exists among your customers (end-users) a preference for contracting with UNICOR? If the answer is three or less, could you provide any reasons for this?



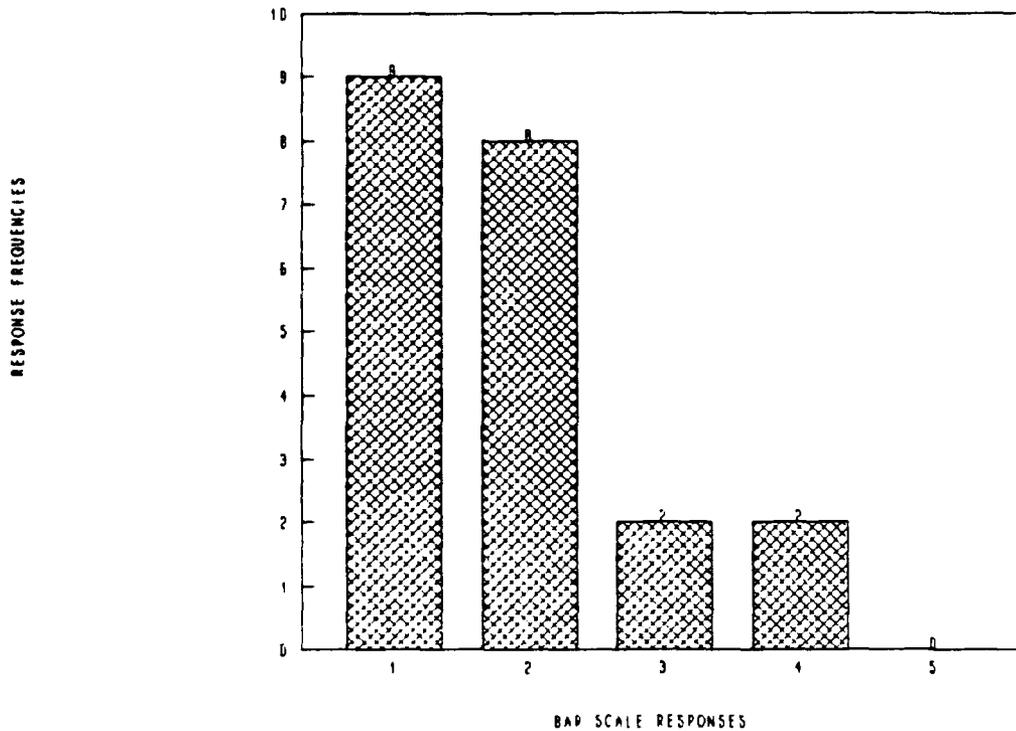


FIGURE 7. RESPONSES TO QUESTION 16.

Mean score: 1.857
Standard Deviation: 0.964
CI Range: 1.418-2.296

All the activities responded to this question. The score of three or less was determined to be a less than favorable reply and thus the activities were asked to give reasons for their selection. The comments of the activities that responded with a score of three or less were coded in order to combine similar responses. Some activities gave more than one response. The responses are listed in order of

frequency, with the number of similar comments and percentages annotated. In addition, examples of respondents' comments for each category are given:

- a. Long lead/delivery times (17 out of 19: 89%): The customers never want us to go to UNICOR because of the long delivery; due to delivery - usually 240 days or longer for delivery.
- b. High prices (5 out of 19: 26%): Prices are not competitive; prices are high.
- c. Poor quality (4 out of 19: 21%): General perception that UNICOR products lack the same standards of quality as commercial products; they do not prefer because of quality.

The following comment appeared once:

- d. FPI, over the years, had a bad reputation in terms of quality, delivery, price. It has gotten better but the memories linger on.

Question 16 Narrative Analysis.

The majority of the respondents (over 90%) answered the question with a less than favorable score of three or less. The comments given were recurring themes of earlier questions: long lead/delivery times; prices that are not competitive with the private market; and less than satisfactory quality levels. These responses appear to indicate that the customers (end-users) have a less than favorable impression of FPI's products/services.

17. Question Seventeen.

To what extent would you say that there exists among your contract specialists/buyers a preference for contracting with UNICOR? If the answer is three or less, could you provide any reasons for this?

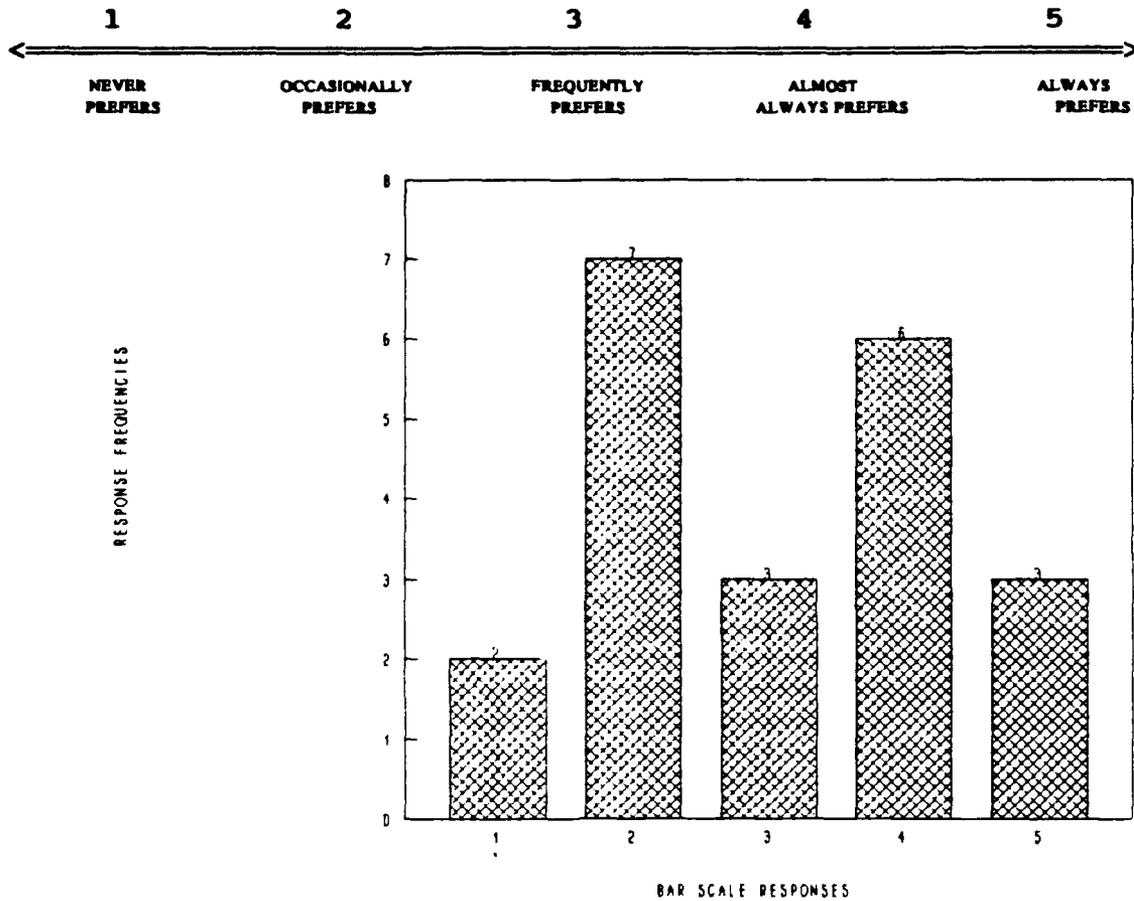


FIGURE 8. RESPONSES TO QUESTION 17.

Mean score: 3.048
Standard Deviation: 1.284
CI Range: 2.463-3.632

All the activities responded to this question. The score of three or less was determined to be a less than favorable reply and thus the activities were asked to give

reasons for their selection. A total of twelve activities met this criterion. The comments of the activities that responded with a score of three or less were coded in order to combine similar responses. Some respondents gave more than one comment. The responses are listed in order of frequency, with the number of similar comments and percentages annotated. In addition, examples of respondents' comments for each category are given:

- a. Long lead/delivery times (6 out of 12: 50%): Delivery time is very, very poor; easy to use, but they never delivery on time so follow ups are time consuming and costly.
- b. Government mandate (2 out of 12: 17%): Because it is a mandatory source we use UNICOR only if we have to; by regulation, this a mandatory source. Preference does not apply - must request waivers if do not use.
- c. Customer service (2 out of 12: 17%): UNICOR is not really strong in the area of customer service - they infrequently return calls in a timely manner or are unwillingly to expedite orders in a timely manner.
- d. Responsiveness to Request for Quotations (RFQ) (2 out of 12: 17%): Not responsive to RFQs - too excessive; problem getting a response to RFQ or follow-up status.

The following comments appeared once each:

- e. Availability of current product/pricing information.
- f. Only for safety glasses.

Question 17 Narrative Analysis.

Fifty-seven percent of the activities scored this question with a less than favorable response. The long lead/delivery times was the most common reason given for not

procuring from FPI. A small number of the activities (less than 20%) commented that FPI must improve in its responsiveness to RFQs and customer service before it would prefer to do business with them. As pointed out by two of the respondents, DA field contracting activities must procure from FPI as mandated by the FAR and preference is not applicable. But one must consider that customer/buyer satisfaction for a product/service goes hand in hand with customer/buyer preference. Also, the customer's perception is important in doing business. It appears that the contracting activities surveyed are divided on this particular question. Since FPI is trying to improve its customers satisfaction with its products/services, it should take notice that over 50% of the surveyed activities responded less than favorably.

18. Question Eighteen

Please make any additional comments below (or on additional sheets if necessary) that you feel are pertinent to the topic of the survey.

Six of the activities deemed it necessary to provide additional comments. The comments follow:

- a. The small business community continually expresses the detrimental impact of UNICOR's preferential treatment.
- b. A general perception has developed that UNICOR performs little of the manufacturing/assembly for some products offered (such as furniture) and is therefore considered a front for manufacturers. Why is UNICOR not bound by the same standards as NIB and NISH concerning the percentage of work that must be accomplished by those individuals represented by the applicable laws?

- c. UNICOR should be removed as a mandatory source and forced to compete with industry for awards based on quality, delivery time and pricing.
- d. UNICOR should not be a mandatory source. They are not competitive, and if you are a mandatory source, why should you be?
- e. Based on UNICOR's poor performance and attitude toward Government's responsibility to "give" them orders (rather than earning awards) as well as responsibility and responsiveness in supporting our customers, why cannot the regulations be revised to make exceptions (Contracting Officer's discretion)? Maybe then, UNICOR will "straighten-up" their operation and receive more opportunities and can be used as the preferred source of supply as the regulation prescribes.
- f. Regulations should be changed to allow a contracting officer to make a decision if he or she wants to place an order when price is in question or same items can be obtained at a lower price. Contracting officer should not have to negotiate price. This is too time consuming and if UNICOR does not want to give a lower price the contracting officer hands are tied.
- g. Generally, UNICOR is a good source. However, pricing is becoming less competitive and orders are accepted knowing delivery cannot be fulfilled.
- h. One issue is very annoying to me as both a contracting officer and the Director of Contracting - the procedure to contract from private companies to fill orders under the pretext of supporting Federal Prisons. This is misleading. I have no problem supporting Federal Prisons providing Federal Prisons produce the products. After all, this would be tax payer dollars moving from one tax funded activity to another. But if UNICOR is contracting out products and services, I feel contracting offices can do a better job, get as good or better quality, obtain a better delivery time and at cheaper prices.

Question 18 Narrative Analysis.

Many of the comments are outside the scope of this research. A few of the comments given will be discussed in the following chapter.

D. SUMMARY.

In this chapter the visits to the FPI factories and the interviews with the factory personnel were presented. Both were extremely beneficial in providing an insight into the overall factory operations of FPI. In addition, the survey data was presented along with an analysis of the data. The summarized results of each of the survey questions were then provided with a narrative interpretation of what the results mean. In the following chapter, a discussion of the issues addressed by the respondents to the survey will be presented.

V. DISCUSSION

A. GENERAL

In the preceding chapter, the survey data and an analysis of those data were presented. A general summary of the responses reveals the following about DA field contracting activities:

1. In general, it is questionable whether the activities utilize FPI as mandated by the FAR.
2. The activities depend on FPI for furniture products and rarely utilize FPI for its plastics, optics and electronic products/services.
3. Without question, the activities and the end-users (customers) are dissatisfied with FPI's long lead/delivery times.
4. The activities are not satisfied with the customer service that FPI provides.
5. The activities consider FPI's product prices to be higher than comparable private market products.
6. The activities are generally satisfied with their own training program but they need assistance from FPI in this area.
7. The activities are not satisfied with the product/service and price information they receive from FPI.

This chapter will address the problem areas that were indicated in the surveys by the DA field contracting activities in procuring from FPI. Also, a discussion/analysis of why these problems may exist will be offered.

B. LONG LEAD/DELIVERY TIMES

Throughout the survey, the respondents provide negative comments in regards to FPI's long lead/delivery times. In the following paragraphs, the researcher will discuss and analyze FPI's long lead/delivery times.

According to Mr. Terry Gray, FPI's Western Marketing Center Marketing Consultant, FPI's standard delivery time for the majority of its products is 90-120 days: currently it averages 180 days [Ref 12]. The researcher has found that the long lead/delivery times varies according to the product being procured. The Automatic Data Processing operations at the Federal Correctional Institution located in Dublin, CA has a turn-around time of anywhere from one day to one month, whereas, the Furniture Factory operations at the Federal Correctional Institution located in Lompoc, CA has an average turn-around time of 180 days [Ref 26 and 27]. But according to the DA field contracting activities, the average waiting period for delivery has been almost a year. One cause of this is the before mentioned fact that many Federal agencies place many orders with FPI at the end of the FY to spend excess end of year monies. At the end of FY 1991, FPI received nearly five times the orders they would normally have received during the same time frame [Ref 12]. One can easily see that this would place a tremendous strain on any manufacturing system. Because of the way funds are authorized to Federal agencies,

the researcher does not think that this situation of "inundating" FPI at the end of every FY will subside in the near future. In addition, the researcher thinks that the lack of planning by the end-user (customer) causes a needless backlog of orders for the contracting activities.

Another problem that impedes FPI's delivery performance is the current requirement for FPI to use Federal procurement regulations. Federal procurement regulations are designed to fit the needs of a typical Government agency. FPI is not a typical Government agency. The majority of wholly-owned Government corporations have legal exemptions from the FAR. FPI's mission demands a more flexible and timely procurement system than most other Government corporations. Many Federal agencies do not issue orders with FPI until funding availability and immediate product needs are confirmed. This results in short delivery time requirements which do not allow FPI sufficient total lead time to procure raw materials, manufacture the item, and deliver the requested products by the specified delivery date. [Ref 19: pages 84-85]

One of the key components of total lead time is procurement lead time. Specifically, the procurement lead time required to complete a full and open competition, and award a contract to a raw material vendor has a large impact on FPI's purchasing process and schedule. FPI could alleviate some of this impact by maintaining large enough inventories of

raw materials. However, this approach does not appear to be economically viable, given the cost of maintaining inventories and FPI's record in forecasting product demand and material requirements. In addition to the impact of FAR requirements on FPI's customer responsiveness, these requirements restrict FPI from taking advantage of lower raw material costs, for example, by purchasing commodity items such as steel, wood, and aluminum on the spot market when the cost is low. One could argue that Federal procurement regulations must be changed to provide FPI with greater flexibility in procurement practices, similar to other wholly owned Government corporations. [Ref 19: pages 83-84]

FPI is also not allowed to sell or dispose of excess materials, including surplus inventories. This current "make-to-order" mode of operation contributes to the delivery problems. The restriction from disposing of surplus and second inventories works as a disincentive for FPI to maintain stocks of frequently ordered items. Removing this disincentive should allow FPI to improve its delivery performance. [Ref 19: p. 84]

Another by-product that indirectly affects the poor delivery performance of FPI may be the pool of labor that it must use to produce its products. This directly affects FPI's efficiency of production. FPI's inmate workers are only fractionally as productive as private sector U.S. production

employees. More than 12,000 inmates produce the output of about 3,000 private sector employees. [Ref 19: p. 28] Why is this?

Because of the "past records" of FPI's "employees", it must undertake many inefficient (cost and operational) methods of supervising the inmates. A high ratio of "civilian foremen" to production inmates must be considered to ensure supervision and quality. FPI experiences lost production time that is a direct result of prison operations: such as counts, shakedowns, and searches of incoming and outgoing materials. An example of the loss in production time was when the researcher witnessed a very time consuming operation of distributing tools after the lunch break at the Federal Correctional Institution in Dublin, CA. It took approximately 30 minutes to do this. The researcher was told that this takes place four times a day on the average [Ref 29]. Other considerations that may cause output to be less than the private market are: low inmate skill levels and inferior inmate work habits; and an emphasis on labor-intensive rather than machine-intensive procedures. Relative inmate productivity varies widely across FPI industries and factories. Overall, the output produced by FPI's inmates is only 23 percent of that which would be produced by the same number of private sector production workers in the same mix of

industries. One can argue that this "labor pool" may be indirectly responsible for the long lead/delivery times. [Ref 19: pages 28-29]

In the researcher's opinion, the long lead/delivery times will remain a constant uphill battle for FPI. The current requirement for FPI to use Federal procurement regulations does not allow for the flexibility it needs. In addition, Federal agencies will continue to have the "we need to spend all of our money before the year ends or we will not get as much next year" mentality. This will continue to inundate FPI and further compound the problem of late deliveries. Also, by not procuring raw materials until orders arrive, a long lead time can be expected.

C. COMPETITIVE PRICES

Another area that received numerous negative comments (over 40% of the respondents) was FPI's prices - its prices were not competitive with private industry. In the following paragraphs a discussion of how FPI establishes its prices and whether its prices are competitive with private industry will be presented.

FPI's pricing regulations are contained in Title 18, U.S.C; the Federal Acquisition Regulation (FAR); and the Federal Bureau of Prisons Policy. The pricing of FPI products and services is promulgated in Title 18, U.S.C., S. 4124 which states:

The several Federal departments and agencies and all other Government institutions of the United States shall purchase at not to exceed current market prices, such products of the industries authorized by this chapter as meet their requirements and may be available [Ref 16: p. 4].

The FAR, Subpart 8.6, states:

Agencies shall purchase required supplies of the classes listed in the Schedule of Products made in Federal Penal and Correctional Institutions (referred to in this subpart as "the Schedule") at prices not to exceed current market prices, using the procedures in this subpart. Agencies are encouraged to use the facilities of FPI to the maximum extent practicable in purchasing (1) supplies that are not listed in the Schedule, but that are of a type manufactured in Federal penal and correctional institutions, and (2) services that are listed in the Schedule [Ref 13].

The Bureau of Prisons Program Statement 8000.1, Chapter 8200, Section 8270, states:

The fair and reasonable price for FPI products and services is the current market price: i.e., the price which would be obtained by competitors for the same or equivalent products and services at the time of delivery [Ref 16: p. 4].

It further states:

...prices established shall be not greater than the current market price for products of the same specifications [Ref 16: p. 4].

Each regulation has the verbiage "current market price." In the researcher's opinion, since the current market price generally refers to a competitive price range, the FPI price

will not necessarily be the lowest price. One can reason that since FPI's prices fall within the competitive range of prices for like products, in like quantities, and delivery schedules, FPI's prices may be deemed to not exceed the current market price.

However, the requirement that FPI's prices not exceed the market price is not the only factor to be considered by a contracting officer. Under FAR 15.8, the contracting officer must ensure that supplies and services are procured from a reasonable source at a fair and reasonable price [Ref 13]. If FPI's prices exceed the sum of reasonable costs to do the work plus a reasonable profit, then the price established would not be considered fair and reasonable.

How does FPI establish its prices? FPI uses three methods to establish a product's selling price:

- a. The first method used is pricing on a cost plus basis (defined as actual production costs and general and administrative costs) plus an allowance for earnings (profit) which is targeted at a net five percent. [Ref 19: p. C-19]

Concerning profit, Mrs. Linda Lambrecht (former Information Officer for FPI), stated:

FPI's method for calculating profit is the same as any other corporations, although the Board of Directors has determined that a 5 percent profit is the goal for FPI [Ref 17].

She was quick to add:

However you need to understand that, although FPI is self-sustaining, the "profits" that FPI earns are returned to the U.S. Treasury [Ref 17].

According to FPI, it does not pursue profits above that which is necessary to remain self-sufficient and to fund the expansion required to keep pace with the Bureau of Prison's inmate population growth [Ref 8: p. 12].

- b. The second method used is when there is an acknowledged private sector price or range of prices: often the customer sets the price and FPI must meet that price to provide a portion of the requirements (or be within the competitive range of prices for like products) or decline the business [Ref 19: p C-19].

In these situations, the activity's contracting officer makes the final determination as to the current market price based on prices paid to private vendors for the same product. When cost or pricing data is requested, FPI should provide a cost breakdown that includes material costs, direct labor hours, overhead rates, and general and administrative costs. If the contracting officer feels the price is not fair and reasonable, the price is negotiated. FPI thinks this allows a free exchange of information, thus, the process of arriving at the current market price is undertaken jointly. [Ref 16: pages 4-5]

- c. The third method used is for catalog items: FPI (often using GSA schedule prices) conducts an analysis of

prices of similar private sector products and attempts to set prices in the range of private sector companies [Ref 19: p. C-19].

This may include reference to past selling price history, documented current market price information, and current market pricing for similar or equivalent product/services and minimum earnings [Ref 16: p. 5].

Mrs. Lambrecht added:

. . . FPI does compare prices with private market products. The methodology used by FPI is to compare products we manufacture only with similar private sector products that are on the GSA schedule. To try and compare FPI products with products not on the GSA schedule would not provide an accurate comparison. The comparison is done by reviewing price structures: discounting practices; and by taking the cost of the base price model on the GSA Schedule with the least expensive company supplied material. Since July 1992, at least five (5) price comparisons have been done [Ref 17].

Deloitte and Touche's findings were that FPI's prices were comparable to those found in the private sector; however FPI's customers would prefer to have a greater ability to independently evaluate FPI's specifications, prices and production costs [Ref 19: p. 7]. In a letter to the Department of Defense, Office of the Inspector General, Mr. Thomas J. Pospichal (at the time FPI's Plans and Policy Division Manager) stated:

...FPI pricing is not simply a question of costs, but must be configured to respond to our unique role as a Federal Government correctional program with many statutory mandates, including requirements that we produce products

on an economic basis, employ as many inmates as possible, diversify on an economic basis, avoid undue impact on the private sector, teach inmates a trade, and charge no more than current market price. The pressure to diversify and accomplish all these other goals, while the entire corporation remains economically self sustaining, may require that earning margins for some products be higher so that earnings on other products may be smaller or even non-existent, but we meet our other Congressional mandates. However, at no time can our price be more than current market price... [Ref 7: p. 77]

Even though there were comments from DA contracting activities about FPI's prices not being fair and reasonable, studies such as Deloitte and Touche have found that FPI's prices are set to be competitive with current market prices. If in question, the contracting activity should determine that the price established is considered fair and reasonable. In the researcher's opinion, one way to ensure that a fair and reasonable price is achieved during competitive procurements is to perform cost or price analysis.

D. METHODS OF PROCUREMENT

Many of the DA field contracting activities appear to believe FPI is exempt from normal contracting methods used during competitive procurements. One reason for this could be that the FAR mandates Federal departments and agencies procure products from FPI before issuing competitive proposals to the private sector. This mandate should not influence the contracting methods used to evaluate the price offered,

prevent determining whether the price is fair and reasonable, and preclude incorporating standard clauses. [Ref 6: p. 68]

As brought out in Chapter IV, many of the DA contracting activities had various interpretations of procuring from FPI. As pointed out in the previous paragraph, many of the activities thought that procuring from FPI was outside the normal realm of their contracting procedures. This is a misconception. In an audit of FPI conducted by the Department of Defense Inspector General (DODIG), it was found that numerous contracting activities had many misconceptions about procurement when dealing with FPI: causing FPI to be treated differently from other contractors. The misconceptions pertinent to this research are listed below (a discussion/analysis follows) [Ref 7: pages 35-36]:

- a. Procurements from FPI are exempt from formal pricing techniques.
- b. FPI's prices are not negotiable.
- c. As long as FPI's price does not exceed a market price, it is fair and reasonable.
- d. No cost or price analysis needs to be performed when procuring from FPI.
- e. A waiver to procure from vendors other than FPI cannot be requested from FPI.

The fact that DA field contracting activities must buy products from FPI before going to the private sector should not influence the pricing techniques used to evaluate the

price offered and to determine whether the price offered is fair and reasonable. FAR part 15 states that any contract awarded without using sealed bidding procedures is a negotiated contract [Ref 13]. Because of this, prices established by FPI can and should be negotiated to arrive at a fair and reasonable price. A reasonable price is the sum of reasonable costs to do the work and a reasonable profit.

The activities' contracting officers must exercise good judgment in determining how much and what data to collect and analyze to decide whether a price is fair and reasonable. A cost or price analysis and a request for Defense Contract Audit Agency support should be made when procuring from FPI to ensure that a fair and reasonable price is achieved. Failure to perform a cost or price analysis thoroughly and properly may well result in the payment of excessive prices. The DODIG audit found that the failure to perform a thorough analysis contributed to the payment of excessive prices on 48 of the 54 contracts reviewed. [Ref 7: p. 11] The DODIG audit commented:

UNICOR could not submit current, accurate or complete cost or pricing data to contracting officers because UNICOR's estimating procedures and practices were inadequate . . . Another factor contributing to inaccurate pricing estimates were the overestimation of UNICOR's general and administrative rates [Ref 6: p. 8].

However, FPI believes that as a Government agency, it should not be required to provide certified cost and pricing statements, especially since FPI concurs with the DODIG that there should be full information parity in contract negotiations, i.e., that sharing of FPI and the Department of Defense cost analysis data will occur [Ref 7: p. 65]. One would argue that as a Government corporation offering products for sale to other agencies, FPI should comply with the same standards and expectations the Government requires of private sector contractors.

In this research, the researcher found another common misconception among the DA field contracting activities; FPI should have lower than current market prices for its products since it has such an "unmatchable" low if not "nil" cost of direct labor. In regard to FPI's wage rate, FPI's labor costs (as a percentage of the selling price) are generally the same as those of most private operations manufacturing similar products. [Ref 19: p.26]. One should also consider the costs that FPI experiences that are an anomaly to the private market: custodial care of the inmates while they work (civilian staff for security/supervision); inherent time delays and disruptions throughout the work day (counts, searches, tool control, etc); training to develop inmates into useful employees. This inmate labor pool also directly effects FPI's astronomical overhead rate: private firms being

approximately 125% and FPI's approximately 925% [Ref 15]. FPI must contend with these "differences" daily and still produce efficiently where it can be competitive. In the researcher's opinion, a private company would either have to increase prices over the market equilibrium to cover these costs, or have negative profits.

E. CUSTOMER SERVICE

Another area that was mentioned to be a concern of the DA contracting activities was FPI's failure to provide updated product literature and prices. This ties in with the activities' less than favorable comments of FPI's customer service.

When questioned about FPI's response to the survey, Mr. Tom Pospichal, Manager of the Market Development Division, commented that FPI has been in the process of streamlining its operations to increase its five product/service divisions into product families (i.e., systems furniture, Centurion furniture, etc.) that will be managed by 20 separate Program Managers. This is being done to give each product family a process champion to provide a focus for each product. In addition, FPI has streamlined its sales group. A sales division was established for its 30 plus marketing representatives. This new sales group concept will use a centralized system vs. the old decentralized system. [Ref 30]

To increase customer service, a customer support center was established in the August/September 1992 time-frame in Lexington, Kentucky. This operation was created to answer the majority of all inquiries - especially those dealing with catalog orders. Another primary goal for the implementation of this center was to improve in the timeliness of responses to customer inquiries. In the researcher's opinion, with the multitude of unfavorable comments on this issue, one would question the validity of this center's mission - customer service. The researcher thinks there may be a lack of knowledge of the center's existence by the activities. In regards to the activities' comments about increasing the marketing representatives' visits to their offices, Mr. Pospichal stated that due to the large area that the marketing representatives have to cover, the representatives are sometimes stretched too thin and therefore they spend a lot of time troubleshooting. In the researcher's opinion, this is a viable but not a totally acceptable reason. FPI should look at placing more marketing representatives in the field or at least increase the interaction/communication with the customer/activities. Since over 47 percent of the DA contracting activities surveyed gave a less than favorable rating to FPI's customer service, FPI should consider this a matter of priority and take action immediately. [Ref 30]

Before the implementation of the Program Manager concept, FPI updated product catalogs and prices as needed. There was no timing sequence for release of the information (e.g., quarterly, semi-annually, etc.) Due to the less than favorable responses to the survey, its perception of need undoubtedly did not match those of its customers. Mr. Pospichal stated that with the new product family system, the Program Managers will be in a better position to respond to the customer's need for this information in a more timely manner. The researcher thinks that FPI should also consider another possible answer to this problem. Both FPI and the activities must communicate with each other to ensure the needed information is getting to the correct customer. There is a high probability that the product literature and price updates are not being sent to the right person or address. This can be resolved by the exchange of information between the two parties. [Ref 30]

F. SUMMARY

The purpose of this chapter was to present a discussion of the data in Chapter IV. The chapter began with a general summary of the responses of the data. Areas that were identified as problems/issues to the DA field contracting activity were addressed using opinions/comments from the

researcher, various literature sources, and interviews. The following chapter will present the researcher's conclusions and recommendations.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. GENERAL

This chapter will present the conclusions that can be made based on the discussion and analysis of the research findings in the preceding chapters, and will provide recommendations in terms of actions to be taken on those conclusions. The chapter will then answer the specific research questions asked at the beginning of the thesis. Finally, the chapter will present several areas for further research.

B. CONCLUSIONS

Based on his findings, the researcher makes the following conclusions:

1. Not all DA field contracting activities check with FPI for availability of products/services before purchasing, as mandated by the FAR.
2. The majority of activities are aware that FPI is a mandatory source.
3. Without question, the activities and the end-users (customers) are dissatisfied with FPI's long lead/delivery times.
4. The activities are not satisfied with the customer service that FPI provides.
5. The communication flow between FPI and the activities is marginal at best.
6. Product/price information is generally available to the activities. However, the high number of less

than favorable responses indicates that FPI needs to do more marketing to their customers (activities) in the manner of catalogs, price updates, etc. In addition, FPI needs to maintain updated mailing lists.

7. Training programs on FPI are in place at the activities but assistance from FPI is needed.
8. Although studies show that FPI's prices are comparable to those found in the private sector, prices are generally considered by the activities not to be competitive with those of commercial sources.
9. Cost or price analysis should be performed (when appropriate) when procuring from FPI.
10. FPI's prices are negotiable.
11. The activities consider the quality of FPI's products/services to be satisfactory.
12. The activities rely on FPI mostly for furniture and do not take advantage of FPI's other lines such as plastics, optics and electronic products/services.
13. The primary reason that the activities favor procuring from FPI is the ability to procure without the use of competition - thus reducing the PALT.
14. The activities do a significant amount of business with FPI - purchases of over \$10,000,000.
15. A high percentage of the clearances/waivers that are requested from FPI are due to the "anticipated" slow delivery time.
16. The researcher found little evidence that FPI encroaches on private markets. Studies show that FPI adds millions of dollars to the local economy by employing civilians, purchasing raw materials, component parts, etc. FPI is in such a diversified product position that it simply cannot be good enough at producing one item to enable it to push competitors out of the marketplace.
17. FPI should remain a mandatory source. If not, then the American taxpayer must subsidize the implementation of another program to usefully employ inmates.

C. RECOMMENDATIONS

Federal Prison Industries, Inc. has a great range of useful products to offer DA field contracting activities and the activities should take advantage of this valuable source of supply. The researcher recommends that FPI should "relook" its customer interaction with the activities. In the researcher's opinion, there are still many of the activities in the field that do not have adequate knowledge of how diverse FPI's product line is. The researcher bases this conclusion on the activities' heavy reliance on FPI for furniture products, and not as much reliance for products/services from the rest of FPI's vast line. Also during the research, a few of the activities recommended that FPI should carry a certain product line, which in fact, FPI already did manufacture. FPI can only enhance its profitability by increasing its interaction with the activities.

As discussed in Chapter V, FPI should look at placing more marketing representatives in the field or at least increase the interaction/communication with the activities. The researcher bases this on the fact that 20% of the activities indicated that they had never received any training/updated information from FPI. The researcher thinks there is a need for FPI to take the initiative and begin an education process in conjunction with the activities' "in-

house" training programs. The activities must be educated about FPI's mission, its capabilities, and the benefits of its use. The researcher also recommends that FPI make factory tours available for the activities' procurement personnel. Even if FPI has to reimburse the activities for expenses, the researcher thinks this would be a great opportunity for the activities to actually learn and appreciate what FPI is all about. FPI should do all that is possible to clear up the misconceptions that the activities have about procuring from FPI. In learning more about FPI, the mentality of FPI being "different from the rest" should end. In addition, this will only enhance each activity's procurement process.

As discussed in the preceding chapter, the long lead/delivery times will remain a constant uphill battle for FPI. Regarding the issue of maintaining inventories, FPI could possibly look into increasing its capital, and thereby, pre-stock high-demanded items. In addition, FPI should research the incorporation of a just-in-time delivery manufacturing system into their material management process. The researcher agrees that the FAR should be amended to give FPI the added flexibility to sell excess materials and inventories and purchase its raw materials. Revisions to procurement policy should be made in connection with a careful review by FPI of its procurement procedures, to maximize the advantages of competition while avoiding the inefficiencies

under which it is currently required to work [Ref congress: p. 15]. It is possible to theorize at this point that FPI could eradicate its poor image with the DA field contracting activities if it could reduce its long lead/delivery times. In the researcher's opinion, FPI should concentrate the majority of its efforts in this area if it wants to improve customer satisfaction.

Although there were comments from the activities about FPI's prices not being fair and reasonable, studies have found that FPI's prices are set to be competitive with current market prices. The researcher thinks that FPI should comply with the same standards and expectations required by Government or private sector contractors. Because of this, during competitive procurements, cost or price analysis should be performed by the activities to ensure that a fair and reasonable price is achieved.

In discussing the rationale of why a contracting officer should determine if FPI's prices are higher than prices on the private market, are we not comparing apples and oranges. Isn't the money the contracting officer is obligating staying "in-house," so to speak? After all, some critics argue that it's all Government money - that the money is never leaving the Government's pocket. FPI advocates always point to the fact that there really is no profit - whatever is left over after expenses goes back into the U.S. Treasury.

But the basic premise here is that there are rules and laws to follow, i.e., the FAR. Because of the downsizing and cutbacks we are all facing in the Department of Defense and other Government agencies, each Government agency must get more "bang for the buck." Each contracting officer that procures from FPI must ensure that he is doing the job that he was given - to ensure the United States Government receives the best product for its money. Some would argue that it does not matter whom you procure the product from - as long as the price is fair and reasonable.

But one must also consider the entire "concept" of what FPI is about. FPI is not in the business to develop innovative products - let alone make a profit. Its purpose is not to compete with small businesses in the private sector. Its sole purpose is to employ Federal prisoners in meaningful work activity to minimize the debilitating idleness of Federal inmates confined in Federal institutions throughout the country [Ref 6: p. 44]. Each contracting activity that procures from FPI must understand the vital mission of FPI. Does this mean that it should be given preferential treatment? No. FPI should be given the same considerations that any private competitor would receive - as long as the contracting activities follow the guidelines mandated in the FAR. With a complete understanding of FPI's mission, it is hoped that contracting activities will be able to minimize competitors'

negative comments about FPI as a mandatory source, and use it as another means for improving their "mandated" working relationship.

D. ANSWERS TO RESEARCH QUESTIONS

1. **Primary Research Question: *To what extent are DA field contracting activities utilizing FPI as mandated by the Federal Acquisition Regulation?***

Over 48% of DA field contracting activities indicated that they do not always check with FPI for availability of products/services as mandated by the FAR. In the researcher's opinion, this high percentage indicates that the activities are not in compliance with the FAR. One could argue that the activities do not check with FPI because they are not knowledgeable of the law. This is highly unlikely because the mainstay of Government contracting is following regulations and laws. One could also argue that the activities find it convenient to ignore the FAR on this issue since it is not strictly enforced. In the researcher's opinion, the activities often violate this regulation because of their disillusionment with FPI's delivery times. Whichever is the case, this is a significant problem that DA and the activities must address.

2. **Secondary Question One: *What is FPI and what are the principal types of products and services that it provides?***

Federal Prison Industries, Inc. was created by Congress in 1934 as a wholly-owned Government corporation with

the mission to train and employ inmates. It employs approximately 25 percent of the Federal Bureau of Prisons inmate population, giving them productive, real-life work programs. More than 250 different product lines are produced at 82 factory operations at over 47 locations throughout the United States. A representative sample of FPI's products/services is provided on page 11 of Chapter II. By law, FPI's product line must be diverse. Further, Congress allows FPI to sell only to Federal Government agencies. Despite its growth and businesslike operations, FPI is first and foremost a correctional program. It is completely self-sufficient, and uses no taxpayer money. [Ref 2: p. 2]

3. **Secondary Question Two: *To what extent do DA field contracting activities utilize FPI as a source of products and services and how might this relationship be enhanced?***

As discussed earlier in this chapter, FPI has a great range of useful products to offer DA field contracting activities. In the researcher's opinion, the activities could increase their utilization of FPI as a source of products/services. Many field contracting activities do not have adequate knowledge of how diverse FPI's product line is. As pointed out earlier, the researcher bases this conclusion on the activities' heavy reliance on FPI for furniture products, and not so much for products/services from the rest of FPI's vast line. To increase the utilization of FPI's

products/services, the communication flow between the activities and FPI must be improved. FPI could provide them updated catalogs/prices, maintain a current mailing list, increase marketing representatives' interaction, and offer "on-site" training and factory visits for the activities' procurement personnel. However, this is a two-way street. The activities must play an active part in their own internal training programs on procuring from FPI. In addition, the activities must make an effort to keep FPI informed of the problems they encounter by using FPI's Customer Service Centers and marketing representatives.

4. **Secondary Question Three: *What are the principal impediments or barriers to procuring from FPI?***

There are several impediments or barriers that affect DA field contracting activities in procuring from FPI. First of all, over 48% of DA field contracting activities indicated that they do not check regularly with FPI for availability of products/services as mandated by the FAR. This is an impediment because it shows a lack of concern on the part of a significant portion of the contracting activities queried to adhere to the requirements of the law. Secondly, 52% of the survey respondents indicated they do not receive FPI's catalogs or marketing/sales updates on a regular basis. In addition, 20% of the respondents indicated they had never received any type of training from FPI. This lack of

information and training can only hinder the activities' procurement of FPI's products/services. Third, over 80% of the respondents listed FPI's poor lead times/delivery times as the key reason they do not prefer awarding contracts to FPI. In addition, a significant number (over 25%) of the respondents indicated that they do not consider FPI's prices as competitive, that FPI is not responsive to their needs, and that FPI does not offer the product/services they need. This negative bias among contractors/end-users toward FPI makes it difficult for contracting activities to do business with FPI. The human factors involved in dealing with any source cannot be ignored as contributing to the success or failure of a contracting effort. Lastly, according to the survey, the activities rely heavily on FPI for furniture products and not so much on products/services from the rest of FPI's vast line. This heavy reliance on furniture products leads to an overabundance of furniture orders, a heavy backlog, and long lead/delivery times. As discussed in Chapter V, FPI can only order raw materials upon receipt of orders from the activities. With no inventory of raw materials on hand and no inventory of finished goods on hand, FPI must produce its products literally "from the ground up." Inevitable delays in deliveries result, and perceptions about FPI's already well-deserved reputation for long lead/delivery times worsen. [Ref 1: pages 74-75]

5. Secondary Question Four: *What steps can be taken by DA to reduce or eliminate these impediments or barriers?*

One could argue whose responsibility it is to enforce the FAR statutes regarding the activities' procurement from FPI. At the present time, no one enforces it. In the researcher's opinion it is probably impossible to enforce it due to the multitude of contracting activities in DA. However, DA could assist in the process by providing direction, guidance, and policy about FPI for its field contracting activities at regular intervals. This will supplement, not circumvent, the "required" training that the activities must do on a regular basis. Areas to be covered during this training should include a brief background of FPI's history and mission, an introduction into what products/services are offered, and a listing of points of contacts at FPI to call when problems are experienced.

The communication flow between the activities and FPI must improve. As stated before, this business relationship is a two-way street. FPI must be proactive in getting the product/price information to the activities. It must also be responsive to their needs. However, the activities must provide problems/recommendations to FPI as they occur. It is probably true that having face-to-face meetings with FPI's marketing representatives is an optimal solution to solving problems. The researcher argues that the next best thing

would be a telephone call. FPI must also be proactive in offering training on a regular basis to the activities. It must be its own best sales agent. The DA could also provide the opportunity (through funding) for selected personnel at each contracting activity to visit FPI's factory sites. This interaction between the two organizations could only enhance their relationship and hopefully eradicate negative perceptions about FPI.

As pointed out in Chapter V, the long lead/delivery times from FPI will remain a constant problem for DA contracting activities. The brunt of this issue must be resolved by FPI. Regarding DA procurement, the researcher sees no end to the "year-end-spend-it-all" mentality that inundates FPI and further compounds the problem of late deliveries. However, the activities can help lessen this by providing training/guidance to the end-users on projecting future procurement needs.

E. AREAS FOR FURTHER RESEARCH

Future areas of research in this general area could include:

1. Exploration of what products/services FPI could provide to Federal agencies that are not being provided now.
2. Exploring whether FPI should remain being a mandatory source of supply.
3. Exploring whether Federal agencies are submitting waiver requests to FPI when appropriate.

4. Exploring whether FPI's prices are competitive with prices from commercial sources.
5. Exploration of FPI's implementation of the recommendations of the Deloitte and Touche and/or Brookings Institution Studies.

F. CLOSING COMMENTS

With the ever shrinking defense dollar, DA contracting activities need to be innovative and efficient in their contracting processes. The Department of the Army contracting activities can meet their operational goals without excluding the possibility of fulfilling the socioeconomic requirements that the Congress has laid down [Ref 1: p. 82]. Both DA activities and FPI must work together in the future to overcome the barriers, impediments, perceptions, and misconceptions that exist between them.

Federal Prison Industries, Inc. is facing tremendous growth needs. It will face many difficulties in the future: to grow at the rate required; to find adequate markets for its products; to fund required capital expansion; and to remain solvent during the process. Nevertheless, FPI is critical to the operation of safe, orderly prisons; it is undoubtedly providing a useful service to the nation, and making the most out of a tough situation.

APPENDIX A

COVER LETTER

DEPARTMENT OF THE ARMY
U.S. Army Student Detachment
U.S. Naval Postgraduate School
Monterey, California 93950-5000

August 12, 1993

To whom it may concern,

I am a United States Army Officer attending graduate school prior to entering the Acquisition Corps and working in my Functional Area (FA97: Contracting and Industrial Management). As part of my graduate work, I am doing my thesis research on whether Department of the Army contracting activities are utilizing Federal Prison Industries, Inc. and/or trade name UNICOR as mandated by the Federal Acquisition Regulation.

A portion of my research involves surveying Department of the Army contracting activities in order to ascertain their level of procurement from UNICOR. I am also interested in ascertaining the level of satisfaction of procuring products/services from UNICOR. I ask that you please take the time to complete the questionnaire and return it in the envelope provided within seven days upon receipt.

Your assistance is greatly appreciated. Please add any comments or suggestions that you think would be pertinent to the subject. At the beginning of the questionnaire, I ask for the location of your installation. This is for data analysis purposes only. Your responses will remain confidential and I appreciate your candor.

Should you wish to talk directly to me, I can be reached at the address shown below, or telephonically at (408) 372-0833.

CPT Kyle Carter
1002-1 Pacific Grove Lane
Pacific Grove, CA 93950-3847

Sincerely,

ENCL:
Survey Questionnaire
Return Envelope

Donald K. Carter
Captain, Air Defense
United States Army

APPENDIX B

SURVEY QUESTIONAIRE

GENERAL INFORMATION:

1. Please list the name and/or location of your installation (i.e. Ft Stewart, Georgia):

2. This survey should not require a lot of time in gathering facts and data. When requested, use an approximation and/or close estimation. Be as candid as possible.

3. In some of the questions, you will find a rating scale of 1 to 5. For example: 1 being "never" and 5 being "always." Please circle the appropriate number on the bar below the question. If you feel it is necessary to modify your rating with written comments, check the "REMARKS MADE" block and place your comments in the remarks section at the end of the questionnaire. Preface each of your written comments with the question number (i.e. "2:").

4. UNICOR is the trade name used by the Federal Prison Industries, Inc.

QUESTIONS:

1. In general, do your buyers check with UNICOR for availability of products/services?

1:REMARKS MADE_____

1 2 3 4 5

←----->

NEVER OCCASIONALLY FREQUENTLY ALMOST ALWAYS
CHECK CHECK CHECK ALWAYS CHECK CHECK

2. If your answer was two or higher on the above question, which products/services do you procure from UNICOR? Please estimate the percentage of each product/service that you procure from UNICOR (e.g., 60% Metal; 40% Furniture). Note - total of percentages should add to 100%.

- Metal (e.g., cabinets, wall lockers, shelving, food service items: trays, carts)
- Furniture (e.g., office: desks, chairs; barracks: desks, night-stands, wardrobes)
- Plastics (e.g., kevlar helmets, personal armament)
- Optics (e.g., safety eyewear, prescription eyewear)
- Textiles/clothing (e.g., mattresses and bedding, linens, brooms, tents, mens outerwear)
- Electronics (e.g., cable assemblies, extension cords, wiring harnesses, radio mounts)
- Data and Graphics (e.g., printing, binding, signs, data entry)

3. Please put a check mark next to those products/services that you never procure from UNICOR:

- Metal (e.g., cabinets, wall lockers, shelving, food service items: trays, carts)
- Furniture (e.g., office: desks, chairs; barracks: desks, night-stands, wardrobes)
- Plastics (e.g., kevlar helmets, personal armament)
- Optics (e.g., safety eyewear, prescription eyewear)
- Textiles/clothing (e.g., mattresses and bedding, linens, brooms, tents, mens outerwear)
- Electronics (e.g., cable assemblies, extension cords, wiring harnesses, radio mounts)
- Data and Graphics (e.g., printing, binding, signs, data entry)

4. If you do not award contracts to UNICOR, what are the reasons why? Please check all that apply:

- UNICOR's quality is poor.
- Prices are too high, not competitive, or unreasonable.
- Lead times/delivery times are poor or unreasonable.
- UNICOR is not responsive (displays no sense of urgency).
- UNICOR is too difficult to contact.
- UNICOR's sales agents are difficult to deal with/not responsive.

UNICOR's does not offer the products/services I need.
 Was not aware that UNICOR offered the products/services I needed.
 Other _____

5. If you have awarded contracts to UNICOR, would you say that the end-using activity was satisfied with the products/services to the best of your knowledge? Why or Why not?

1	2	3	4	5
<hr style="border-top: 3px double #000;"/>				
NEVER SATISFIED	OCCASIONALLY SATISFIED	FREQUENTLY SATISFIED	ALMOST ALWAYS SATISFIED	ALWAYS SATISFIED

Comments: _____

6. When was the last time you received training and/or updated information from UNICOR?

- (1) Within the last month
- (2) Within the last quarter
- (3) Within the last year
- (4) Within the last three years
- (5) Never

7. To what extent is the training program for the contracting personnel in your organization adequate for procuring from UNICOR?

7:REMARKS MADE_____

1	2	3	4	5
<hr style="border-top: 3px double #000;"/>				
INADEQUATE	SOMEWHAT INADEQUATE	NEITHER ADEQUATE NOR INADEQUATE	SOMEWHAT ADEQUATE	ADEQUATE

8. To what extent would you say that UNICOR makes an effort to send you their updated materials (e.g., schedules, marketing or sales updates) that you would need in order to do business with them?

8:REMARKS MADE_____

1

2

3

4

5



NEVER MAKES
AN EFFORT

OCCASIONALLY MAKES
AN EFFORT

FREQUENTLY MAKES
AN EFFORT

ALMOST ALWAYS
MAKES AN EFFORT

ALWAYS
MAKES AN EFFORT

9. If the answer to (8) was two or below, what would you recommend that UNICOR do to get you more information about their capabilities, products/services, etc. that would be helpful for you to know?

10. What recommendations would you make to UNICOR's headquarters to make their company more useful/valuable to you as a contracting specialist/buyer?

11. What do you think are the benefits for your contracting activity in procuring from UNICOR?

12. What do you think are the drawbacks for your contracting activity in procuring from UNICOR?

13. What do you think would be the benefits for your customers (end-users) of using UNICOR's products/services?

14. What do you think would be the drawbacks for your customers (end-users) of using UNICOR's products/services?

15. If you have contracted with UNICOR in the past, please estimate the number of contracts that you award to them per year and the dollar amount of those contracts?

Number of contracts per year _____
Dollar amount per year _____

16. To what extent would you say that there exists among your customers (end-users) a preference for contracting with UNICOR? If the answer is three or less, could you provide any reasons for this?

1	2	3	4	5
<----->				
NEVER PREFERS	OCCASIONALLY PREFERS	FREQUENTLY PREFERS	ALMOST ALWAYS PREFERS	ALWAYS PREFERS

REASONS: _____

17. To what extent would you say that there exists among your contract specialists/buyers a preference for contracting with UNICOR? If the answer is three or less, could you provide any reasons for this?

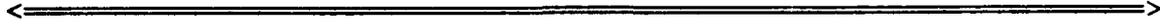
1

2

3

4

5



NEVER
PREFERS

OCCASIONALLY
PREFERS

FREQUENTLY
PREFERS

ALMOST
ALWAYS PREFERS

ALWAYS
PREFERS

REASONS: _____

18. Please make any additional comments below (or on additional sheets if necessary) that you feel are pertinent to the topic of the survey.

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