

OM 012-2003 (8030) FPI FY 2004 OPERATING PLAN DEVELOPMENT



Operations Memorandum

NUMBER: 012-2003 (8030)
DATE: 7/23/2003
SUBJECT: FPI FY 2004 Operating
Plan Development
EXPIRATION DATE: 10/31/2003

1. **PURPOSE AND SCOPE.** To define the Federal Prison Industries (FPI) corporate planning process for developing the FY 2004 Operating Plan.

2. **FPI PLANNING CYCLE.** The FPI planning process defined below is depicted in the FPI Planning Calendar (Attachment A).

a. **Development of Strategic Objectives and Business Group Plans.** The General Managers, with input from the Deputy Assistant Directors, prepare strategic goals and objectives for the upcoming fiscal year, including financial plans at the business group level (detail is limited to sub-group level, e.g., seating, case goods, D&Q, etc.) for expected growth, inmate employment, overhead reduction, inventory turns, and/or other factors. The Branch Managers and General Managers will meet to discuss the respective Business Group needs for the upcoming fiscal year.

The financial plans will include data for the current year, the plan year, and show the percentage change for each of the following categories: invoiced shipments, earnings, overhead, inventory, and inmate employment. The costs of all marketing-related initiatives will also be identified clearly.

Business group plans will support the strategic goals and objectives and proposed financial plans and include goals for the coming year, areas of potential growth, operational initiatives, product/manufacturing development initiatives, and marketing strategies. Also, General Managers will identify any significant Machinery and Equipment and Buildings and Improvement (M&E/B&I) needed to support their plans.

The Research, Activation, and Corporate Support Branch (RACS) will provide a historical analysis of sales, earnings, inventories, and inmate employment to assist with this effort. General Managers should advise RACS at this time of any plans for significant expansion based on projected sales.

The General Managers will prepare Central Office overhead budgets for the expenses directly controlled by the General Manager, including expenses related to training, marketing, and computer needs (e.g., laptops, printers). Allocations for support services other than training, marketing, and computer needs will not be included in this budget.

The General Manager, in consultation with the Branch Chief for that activity, will prepare marketing budgets. Computer needs will be included in the budgets for the respective business group, with a copy submitted to MISB to keep them apprised of overall corporate needs and future IT requests. The overhead budget for the business group must include the current year, plan year, and percentage change for each category. A narrative should provide explanations of any significant changes.

The General Managers will consolidate the draft financial and overhead plans, and submit them to their respective Deputy Assistant Director and support Branch Chiefs for review and discussion.

Corporate Management approves the plans and forwards them to RACS. RACS will ensure copies are forwarded to the Financial Management Branch (FMB).

b. **Factory Plans.** Upon corporate approval of the target numbers for each business group, the approved business group plans are expanded to the factory level. The detailed factory plans include invoiced shipments, Stock Transfer Orders (STOs), earnings, overhead, inventory, and inmate employment.

c. **Memorandums of Understanding (MOUs).** These are **local institutional operating plans** for the coming year. General Managers contact each institution and communicate the factory plans. The General Managers forward the final MOUs to RACS and FMB.

d. **Support Branch Budgets.** The support branches prepare budget plans concurrently with the business groups based upon input from the business groups. Each branch chief prepares a budget describing its plans and objectives, including initiatives for the coming year.

The overhead budget for the support group must include the current year, plan year, and percentage change for each category. A narrative should provide explanations of any significant changes. Also, Branch Chiefs will identify any significant M&E/B&I needed to support their plans.

The draft plans are submitted to the appropriate Deputy Assistant Director for review and discussion.

Corporate Management approves the plans and forwards them to RACS.

e. **Inmate Employment Level Projections.** RACS will assess annually the number of FPI jobs that need to be created in the short term (one year) and the long term (five years), and recommend the sources for the jobs (e.g., significant expansion of traditional industries, expansion in services, transfer of work between factories, etc.).

f. **Draft Operating Plan Development.** The FMB develops final earnings and cash flow projections and forwards the data to RACS. RACS incorporates the data from the developed plans into one concise document detailing how FPI will operate (by plant, business unit, etc.) during the upcoming fiscal year.

g. **Draft Operating Plan Review by Corporate Management.** Corporate Management reviews the draft Operating Plan for consistency with stated objectives, recommends revisions, and approves it. Available funding for recommended capital equipment is agreed upon for the year and the quarterly distribution based on cash flow projections is identified.

h. **M&E and B&I.** General and Branch Managers prepare detailed plans for M&E and B&I pending notification of available funding. M&E requests for production equipment should include a return on investment analysis. RACS determines the funding required for activations. The capital equipment plans should be supported by the priorities outlined in the narratives detailed in subsections a. and d.

Prioritized M&E and B&I plans are submitted to the respective Deputy for review. The Deputies meet and agree on the distribution of capital funding and advise the General and Branch Managers. Corporate Management advises RACS of the distribution of the capital funding for each business group and support branch to be included in the Operating Plan.

i. **Operating Plan Approval by the Board of Directors.** The Board of Directors and Corporate Management review, revise, and approve the Operating Plan.

j. **Advance Procurement Plan Development.** The Procurement Branch obtains input from the field and General Managers by May 1, concerning planned production and needed inventory. Additional guidance can be obtained in the UNICOR Acquisition Policy (UAP), section 7.104. This information is used to develop a plan to schedule procurements and bulk purchases, as needed.

Consolidated procurement plans will be completed by June 30.

3. **BOP PLANNING CYCLE.** The FPI planning cycle, while a separate process from the Bureau planning cycle, exchanges information with the Bureau strategic planning process.

4. **ACTION.** All FPI staff are to use the attached FPI Planning Calendar as a reference.

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FPI PLANNING CALENDAR

Processing Time	Planning Elements	Responsibilities
January 29	Planning Retreat (Define Corporate Objectives)	Corporate Management, GM's/Branch Managers
January 29	Distribute historical sales, earnings, and inmate employment charts	RACS
February 14	GM's seek budget and field financial information from plants	General Managers
March 14	Draft Business Group Objectives, Summary Financial and Overhead Plans to Deputies	Business Groups
March 21	Draft Support Branch Budget Plans and Initiatives to Deputies	Support Groups
March 24	Business and Support Group Presentations to Corporate	Business Groups/Support Branches
March 31	Preliminary Corporate Review and Approval of Branch Plans & Initiatives	Corporate Management
April 22	Rough Cut Numbers and M&E and B&I Requests Submitted to RACS by Business Groups	Business Groups, RACS
April 23	Detailed Support Branch M&E and B&I submitted to RACS	Support Branches
April 23	Detailed Activation M&E and B&I	RACS, Business Units
April 28	Rough Cut Submitted to Corporate for Review	RACS, Corporate Management, BOD

April 28	Consolidated M&E/B&I Requests Submitted to Corporate for Review and Approval	RACS, Corporate Management
May 5	Allocate M&E, B&I Reserve Funds	Corporate Management
May 12	Financial Management Branch Provides Cash Flow Projections to Corporate and RACS	FMB and RACS
May 16	Draft Operating Plan Reviewed by GMS	General Managers
May 19	Advanced Procurement Plan Data Submitted to Procurement Branch	General Managers, Plants, Procurement Branch
May 23	Draft Operating Plan Reviewed and Approved by Corporate	Corporate Management, FMB, RACS
May 27	Detailed Factory Plans (MOUs) Consistent with Rough Cut #'s, Including Operational Numbers	Business Groups Factories
June 16	Research, Activation and Corporate Support Incorporates All Recommended Changes To Draft Operating Plan	RACS
June 30	Consolidated Procurement Plans Completed	Procurement
July 1	Final Operating Plan Reviewed and Approved by Corporate Management	Corporate Management, FMB, RACS
July 15	BOD Approves Final Operating Plan	BOD, Corporate Management
August 15	Distribute Operating Plan	RACS