

# ARIZONA CORRECTIONAL INDUSTRIES

2019

**Investing In Infrastructure**

# INFRASTRUCTURE

is usually thought of as something physical, like buildings, roads, bridges, sidewalks, public transportation, utilities, and civic venues.

## BUSINESS INFRASTRUCTURE

is the basic facilities, structures, and services upon which a business is built.

**It is common to think of infrastructure as physical things, but there is another dimension to infrastructure that is far more important:**

**HUMAN INFRASTRUCTURE.**



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# FROM THE GOVERNOR



Arizona is open for opportunity - and that is why I am glad to see the hard work of Arizona Correctional Industries (ACI). For more than 30 years, ACI has been teaching job skills and a positive work ethic to inmates as it partners with private businesses throughout the state. ACI gives Arizona inmates the opportunity to have a true second chance and ensures businesses have access to qualified employees.

The way ACI staff and inmates have embraced the Arizona Management System to continuously improve processes and reduce waste indicates they will continue to fulfill their mission in the years to come - all while operating without taxpayer dollars.

ACI has long been a model for how efficient government agencies can operate, making a positive financial impact and contributing to the creation of thousands of new Arizona workers each year.

Douglas A. Ducey, Governor  
State of Arizona





## FROM THE DIRECTOR

Every year the Arizona Department of Corrections (ADC) must rise to meet new, unexpected challenges. We also get to share some hard-earned victories. Our 50th year saw plenty of both as we continued realizing our important mission in service to the taxpayers of the state.

One ADC program that we can count on to present more victories than challenges each year is Arizona Correctional Industries (ACI). While its talented designers created the beautiful anniversary coins and posters to help us celebrate our half-century of service, their shops continued supplying baked goods, clothing, and furnishings to our offices and complexes across the state.

ACI continued to expand its private industry partnerships in 2019, showing Arizona business leaders the positive impact inmate work crews can have on organizations struggling to fill job positions. These employers regularly extend job offers to releasing inmates beyond their sentences. The recidivism rates for these ex-offenders is as low as 6%.

These successes go well beyond the individual inmates and employers, as they clearly illustrate to the broader business community that ex-offenders make great employees.

By the same token, ACI's impressive financial performance, year in and year out, with a workforce that is 93% inmates, vividly illustrates the positive contribution this population can make. The department and the state certainly appreciate the impact of ACI and its team.

We are well on our way to reducing recidivism by 25% in the next 10 years, thanks, in no small part, to the efforts of the staff and inmates at ACI. Together we will achieve this and the department's other goals and mission.

Charles L. Ryan, Director  
Arizona Department of Corrections

When ADC was restructured to create the Inmate Programs and Reentry Division, it began a concerted effort throughout the entire department to redefine our culture. Yes, we protect our communities by incarcerating criminals to ensure that they can do no harm. But since 95% of our offenders will be released someday, our job must also include protecting our communities by helping to change the inmates' criminal mind-set before their release.

While consolidating inmate programming in one division to better coordinate the delivery of services, we have also been stressing how reentry success begins at intake. Every day, every ADC staff member has an opportunity to become a Change Agent by positively impacting every inmate with whom they interact. Modeling professionalism by doing our jobs well and treating each other as customers clearly illustrates how much we want them to feel they are part of our community, not just outcasts.

ACI staff members have been Change Agents for more than 30 years. Helping inmates feel that they are a part of something bigger than themselves, is the secret to ACI's success.

- Staff and inmates work side by side to create quality products for public and private organizations across Arizona.
- Inmates work with private businesses, side by side with civilian staff, to learn valuable job skills.

Through these kinds of work experiences, ACI inmates are 31% less likely to return to prison (*Prisoner in Arizona, A Profile of Inmate Population*, March 2010 author Dr. Daryl Fischer). Perhaps it's because their ACI jobs give them a taste of how fulfilling their lives can be as part of the broader community.

I know that I can count on the Change Agents at ACI to help us reach our goal of reducing recidivism by 25% in the next 10 years.

Karen Hellman, Division Director Inmate Programs and Reentry  
Arizona Department of Corrections



In the 2019 fiscal year ACI focused on infrastructure. Several major investments were made in new vehicles, new equipment, software updates, and structural upgrades and improvements. We want to ensure that our worksites are structurally sound and provide a safe environment for the inmates and staff who work in them. We also want to empower each member of the ACI team by encouraging them to participate in our ongoing, continuous improvement efforts using the Arizona Management System (AMS).

Financially, we had an impressive year with sales of \$47.9 million and a net income of \$6.6 million. Our third metric for success, 4.33 million inmate work hours, made a huge contribution toward reducing recidivism. The labor operations team has strengthened several partnerships, converted one into a Prison Industry Enhancement Certification Program, and formed several new private business partnerships in 2019. These results continued the trend of more of our revenue and inmate hours coming from our labor contracts than from our shops.

Our work with the National Correctional Industries Association's (NCIA) Marketing Committee helped create an important new flyer highlighting the many skills that ex-offenders trained by correctional industries (CIs) can provide to businesses struggling to fill positions. We also hosted the NCIA board meeting last October at our ACI Administrative Offices and contributed video clips that were used in the new NCIA video (discussed later in this report). We want other CIs to use these flyers and videos as templates for creating their own promotional materials to spread the message of the critical role that CIs play in transforming lives and making communities safer.

At ACI we continue to benefit from our dedicated staff that embraces its mission and makes success possible. The staff grew in 2019 as we welcomed many important additions, as detailed later in this report. The Employee of the Quarter winners this year came from some areas of the organization that do not usually garner much attention, mainly because they operate so efficiently and smoothly. In planning our annual staff meeting last October, the highlights of which are in this report, we took a new approach by asking staff who they would like to hear from at the event. The format of the daylong meeting was more casual and unscripted, as representatives from several areas of ACI answered questions submitted by staff. The event also provided us with an opportunity to recognize and thank the entire ACI team for keeping us on track toward accomplishing our mission.

We are proud to share this year's findings from the Arizona State University WP Carey School of Business Seidman Research Institute annual study. This important, third-party analysis estimates the economic impact of ACI on the State of Arizona this year to be \$201 million, with the creation of 2,082 private sector jobs potentially generating millions more in state tax revenues.

By investing in our technology and other fixed assets, we ensure ACI's efficient operations well into the future. We thank the ADC executive staff, ACI Advisory Board, associates, business partners, customers, suppliers, and our inmate staff for working with us throughout the year. Together we will continue to provide opportunities for inmates to become valued employees and productive citizens.

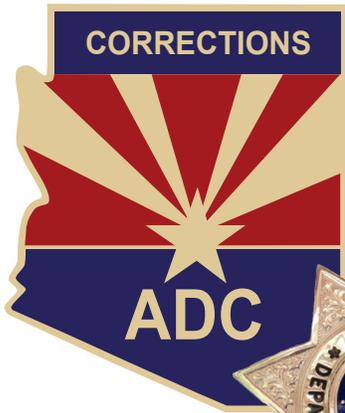
Sincerely,



Brian Radecki, CEO/Business Operations Administrator







### ADC VISION

Safer communities through effective corrections.

### ADC MISSION

To serve and protect the people of Arizona by securely incarcerating convicted felons, by providing structured programming designed to support inmate accountability and successful community reintegration, and by providing effective supervision for those offenders conditionally released from prison.

### ACI VISION

Support ADC Vision, serve as a resource for the public sector and private businesses throughout the state and operate successful business enterprises that help inmates acquire occupational skills and work experiences.

### ACI MISSION

Support ADC mission and create opportunities for offenders to develop marketable skills and good work habits through enterprises that produce quality products and services for our customers while achieving our revenue, profit, and inmate work increase objectives.





**CORE**

# career moves





## To The Team

These employees started new careers with Arizona Correctional Industries between July 1, 2018 and June 30, 2019.

**Corina Gutierrez**

Program Project Specialist I  
ACI Central - Phoenix

**Michael Zinn**

ACI Production Sales Supervisor  
ACI Central - Phoenix

**Ernest Barragan**

Industry Program Specialist  
Phoenix West - Phoenix

**Mark Phelps**

Industry Program Specialist  
Phoenix West - Phoenix

**Cynthia Viola**

Industry Program Specialist  
ASPC - Tucson - Tucson

**Brandon Arrington**

Correctional Industries Production Specialist  
ASPC - Perryville - Goodyear

**Jeffrey Essig**

Industry Program Specialist  
ASPC - Perryville - Goodyear

**Kenneth Hunter**

Correctional Industries Production Specialist  
ASPC - Perryville - Goodyear

**John Kennedy**

Industry Program Specialist  
ASPC - Perryville - Goodyear

**James Sablan**

Industry Program Specialist  
ASPC - Perryville - Goodyear

**Eugenio De La Cerda**

Industry Program Specialist  
ASPC - Florence - Florence

**Larry Murphy**

Industry Program Specialist  
ASPC - Florence - Florence

**Brenda Smith**

Correctional Industries Production Specialist  
ASPC - Florence - Florence

**Daniel White**

Correctional Industries Production Specialist  
ASPC - Florence - Florence

**William Eastwood**

Industry Program Specialist  
ASPC - Lewis - Buckeye

**Anthony Helm**

Industry Program Specialist  
ASPC - Lewis - Buckeye

**Bernardo Pacheco**

Industry Program Specialist  
ASPC - Lewis - Buckeye

**Joe Solorio**

Industry Program Specialist  
ASPC - Lewis - Buckeye

**Walter Voogt**

Industry Program Specialist  
ASPC - Lewis - Buckeye





Once the entire staff was reunited, after the morning breakout sessions, guest speaker Kevin McCarthy recounted his personal journey with early success, new beginnings, a very bad decision, and a prison sentence, plus his long road back to a normal life with his wife and family.

The lessons he learned along this journey, formed the foundation for his best-selling book, *Blind Spots*, which each staff member received a signed copy of at the meeting, and which formed the basis of his presentation entitled The Blind Spot Zone.

The old saying, "If it looks too good to be true, it probably isn't" was one of the red flags that Kevin chose to ignore as he began a new venture that promised huge financial rewards. The people he was working with seemed to be legitimate, but he soon discovered his trust in them was misplaced when FBI agents appeared at his door one fateful morning.

After his powerful presentation, Kevin hosted the seven interview sessions to follow.



Kevin McCarthy, Karen Hellman, and Brian Radecki

## New Format for ACI's 2018 Annual Meeting

In preparation for ACI's annual meeting, staff members were surveyed to determine what areas of ACI they would like to hear from at the meeting. Then, once the three areas were determined, they provided questions they wanted representatives from those areas to answer. This was a departure from past annual meetings where the agenda was set entirely by the executive staff. This event provided the perfect opportunity to hear from new voices and learn about important ACI developments.

The day began with sign-in and continental breakfast, where team members from across the state could reconnect. Then, IPS staff went across the street to the ACI Administrative Offices for a briefing with Labor Contract Operations Administrator Mario Diaz while the rest of the staff were given AMS training by Bernie Bronson.

Division Director Karen Hellman and ACI CEO Brian Radecki responded to the questions ACI staff members had submitted before the meeting. Karen explained what the other areas of the Inmate Programs and Reentry Division are involved with, from education, mental health and addiction programming, and community corrections to how the department is working closely with DES and Arizona@Work to create Second Chance Centers in appropriate complexes.

Brian went through the 2018 fiscal year financial results and detailed where ACI had been investing in its operations. Karen and Brian also related former inmate stories that had a profound impact on them and served as

a reminder of how important the work we do is in the lives of the inmates we work with.

### Lunch and Reconnection

A lunch buffet was served in the adjoining rooms, where everyone had plenty of time to eat, relax, and catch up with staff members from across the state. When the program continued, back in the meeting room, representatives from the three areas of ACI that staff said they wanted to hear from answered questions about their area.

### Epicor (ERP software)

ACI has been using Epicor and its predecessor, Vantage, for over 10 years. David Barbee's promotion earlier this year had him jumping feet first into the tail end of a multi-agency and multi-entity upgrade process that had begun over three years prior. In other words, a lot of people outside of ACI are involved. The questions that were submitted fell into two categories: general and pre-upgrade related questions.



David Barbee

## Wild Horse and Burro Inmate Program (WHIP)

Randy Helm has managed ACI's Wild Horse and Burro Inmate Program since its inception in 2011. In addition to his unmatched skills as a horse "whisperer," Randy is a pastor and former police officer. Local and national news outlets have run feature stories about this program over the years.



Randy Helm

Randy has hosted many training and adoption events, with hundreds of horses and burros finding new homes with local farmers, ranchers, and the US Border Patrol. Randy answered questions and talked about the success of ACI's Wild Horse inmate program.

## ACI Accounting, Purchasing

ACI Purchasing is responsible for buying all administrative office supplies, the raw materials for all operations (e.g., bulk paper, inks, and other supplies for the print shop; bulk fabric for all the sewing operations; and metal, aluminum, and steel for the industrial yard). Purchasing Manager Vicki Fitzpatrick has been with ACI since 1997 and is a Certified Professional Public Buyer (CPPB, 2005) who supervises a staff of three civilians and three inmate clerks.



Vicki Fitzpatrick

Jennifer Reitan is a former inmate clerk, hired last year as an Assistant Buyer after her release. Jennifer is the first former inmate to be hired at ACI since 2011, when the policy was changed and such hires were no longer permitted. In 2016, the policy was again changed to reflect the department's focus on improving reentry



Jennifer Reitan

results for former inmates. ACI can now hire qualified former inmate clerks.

When he announced this new hire at the annual meeting in October, CEO Brian Radecki said, "We're constantly asking local businesses to hire skilled ex-offenders from our programs, but the department itself had policies against such hires." He went on, "I'm excited that, going forward, we can offer positions to qualified ex-offenders who have demonstrated good work ethic and learned our processes and procedures while working in our administrative offices. I know that Jennifer will be a great addition to our staff because she has already proven herself through the work she did with us during her incarceration!"

## Labor Contract Partnerships

Kevin McCarthy asked Mario Diaz questions that ACI staff submitted regarding labor contract partnerships. Since 1995, ACI has partnered with private businesses to provide inmate work crews in many diverse industries. Today, we are partners with 31 different private businesses in industries such as agriculture, call centers, recycling, metal fabrication, construction, truck repair, vehicle detailing, food preparation, fulfillment, and warehouse maintenance. Starting as a small part of ACI's business when this program began, labor contracts now represent more than 57% of ACI's revenue and represent our most promising growth area going forward as the labor shortage worsens for many industry segments in Arizona.



Mario Diaz



Kevin McCarthy

## Superstition Components

The remaining interviews were designed to feature a former inmate who has found success after release and their current employer. To start things off, Superstition Components stepped up to begin this part of the program.

Ed Hadley is President of the Southwest Region of Walton Development and Management (WDM USA), the parent company of Q2 Built) since

2013. Formerly known as Q2 Built, Superstition Components has been working with ACI since 2016 and currently employs a crew of eight inmates (at Marana). Although the former inmate currently employed at Superstition Components was not able to attend, Ed read a statement from him during the interview.



Ed Hadley

## Papa John's Produce

Papa John's Produce has been an ACI labor contract partner since 2014. Seven days a week, two separate inmate work crews go to their packaging facility. A male crew works second shift and a female crew works third shift. Ericka Garduño has recently taken over Human Resources duties. She had worked on one of ACI's inmate work programs at a previous job a few years ago.

Dean Gearhard has been an outstanding employee since he started working at Papa John's as an inmate. He has taken on many new roles and responsibilities since his release and is currently a junior manager.



Ericka Garduño



Dean Gearhard

All of the guests and staff who answered ACI team questions reminded everyone of the important work ACI does and the real impact this work has on the lives of the inmates as well as our customers and partners.

## Annual Awards

The program concluded with an awards presentation ceremony. Two awards were presented to Mario Diaz for outstanding labor contracts for Arizona Structural Laminators and Erickson Construction.

Customer Service Manager Tom Brown (who also organized the annual meeting) explained how the process of selecting the ACI Employee of the Quarter and Employee of the Year changed in 2018. The new Employee Awards Committee meets each quarter to review the nominees submitted by eight ACI staff members. All ACI staff can nominate any team member within or outside their work location/department.

This year's Employee of the Year Award went to Mario Hernandez an Industry Program Specialist (IPS) working with Keefe (ASPC-Tucson). Mr. Hernandez discovered that inmates in the Keefe warehouse were introducing contraband through the packaged items Keefe delivers to the prisons. He caught an inmate picking up some items. When he questioned the inmate, the inmate denied everything.

However, Mr. Hernandez was persistent and found the contraband items in a trash bin in the men's restroom. After the items were discovered, they were estimated to be worth \$35,000 inside prison. Mr. Hernandez showed outstanding dedication to ensure ACI's staff and inmates are safe at all times.



Brian Radecki and Mario Hernandez



**FOUNDATION**



**5S is one of the most widely implemented techniques from the lean manufacturing process. It is considered a foundational lean concept and sets the stage for standardized work and continuous improvement.**

From January 3rd, 2019, to April 15th, 2019, ACI initiated its first major 5S project at its administrative headquarters in Phoenix, Arizona. The key elements of any 5S program are the following:

## SORT

**01** Go through the tools, materials, and equipment and keep only what is necessary to complete the work. All else is eliminated or stored off-site.

## SET IN ORDER

Label and organize the space so it's clear where everything belongs. A "shadow board" for tools hung on the wall is a perfect example of this.

**02**

## SHINE

**03** Clean up the workplace so it is an efficient place where people are proud to work.

## STANDARDIZE

Use standardized work to keep the space organized and maintain the progress.

**04**

## SUSTAIN

**05** Sustain the improvement by empowering individuals to take responsibility for the space and develop new improvements regularly.

### Week One

All team members were trained in 5S: Sort, Set in Order, Shine, Standardize, and Sustain.

All products and pallets were removed from the racks on south wall.

A Red Tag holding area was established to temporarily store items waiting disposition.

A temporary staging area was established to hold items going to surplus.

### Weeks Two & Three

South wall racks were removed and sent to Florence to be sandblasted and powder coated.

Next 36 pallets of all old files boxes were removed from existing racks to be sorted.

All vertical files under existing racks were emptied and put in the holding area for sorting and disposition.

Four sections of racks were emptied to be sorted and disposed of.

Several pallets of AIS modular products were removed from the racks and placed in the Red Tag holding area for disposition.

### Weeks Four to Eight

Accounts Payable, Accounts Receivable, Purchasing, and Material management were to go through all their old boxed paper files and file cabinets for fiscal years, 2013 through 2017 and disposition.

#### Action Owners:

**Dale Betty and Vicki Fitzpatrick**

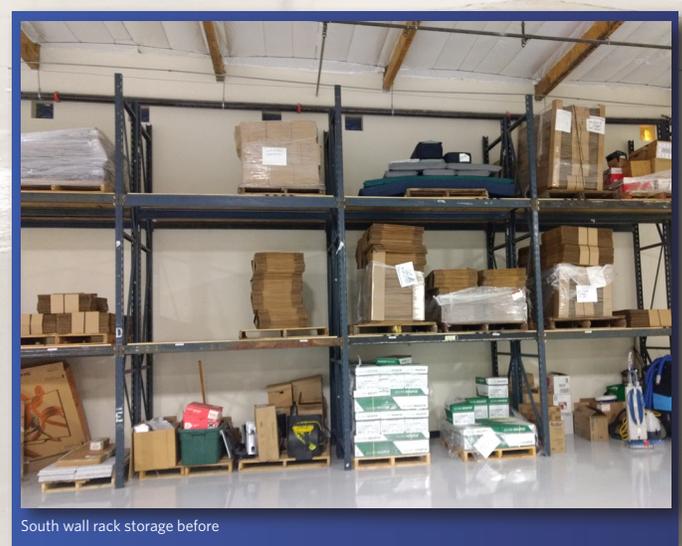


Customer Pick up

Customer Pick up

Customer Pick up

EXIT



South wall rack storage before



Center rack storage before



North rack storage before



Sales showroom west wall before

Sales Department was to go through all the AIS modular furniture in the holding area, inventory it, and provide a game plan to dispose of those items.

**Action Owner:**  
**Mike Zinn**

All racks were sent to Florence to be sandblasted and powder coated in tan.

**Action Owner:**  
**Vicki Fitzpatrick**

Sales Department determined disposition of large and small product displays and prototypes to include bunk bed, trash receptacles, and bench.

**Action Owner:**  
**Mike Zinn**

Human Resources was to complete a physical inventory of all products used to maintain the building, including supplies for warehouse maintenance, bathrooms, and office areas.

**Action Owner:**  
**Malinda Strom**

Customer Service was to go through their items in the holding area and determined disposition.

**Action Owner:**  
**Tom Brown**

### **Weeks Nine & Ten**

Rack requirements were determined for the remaining material/product/inventory.

**Action Owner:**  
**Bernie Bronson**

The 5S project was so successful that it was determined that there was no longer a need for any racks in the ACI Phoenix warehouse. Instead, a small storage area was established to hold 8 to 10 pallets of items determined necessary for operations.



Porter storage closet before



Porter storage closet after

## **5S Warehouse Project Results**

**Before 5S:** 100% of the 16,897 square foot warehouse was used.

**After 5S:** 28% (4,786 square feet) of the warehouse is used.

**Before 5S:** Storage of thousands of documents required numerous pallets of files, and cabinets required lots of floor space.

**After 5S:** No files or cabinets are stored in the warehouse, and now all files are scanned and electronically stored, requiring zero floor space.

**Before 5S:** There were no dedicated areas for incoming and outgoing shop products or customer drop-offs and pick-ups, resulting in products being placed wherever there was room.

**After 5S:** There are now dedicated labeled areas for incoming and outgoing products and customer drop-offs and pick ups.

**Before 5S:** Entire warehouse was cluttered with overflowing racks, customer products, displays, pallets, and equipment, making it impossible to manage.

**After 5S:** There are no racks in the warehouse, there is no clutter, everything has a dedicated place, and is easy to manage.

**Before 5S:** ACI Phoenix ordered all paper and cleaning supplies monthly, whether or not the supplies were needed. This created a large amount of surplus supplies requiring rack space.

**After 5S:** ACI Phoenix now orders supplies based on usage and orders smaller amounts of supplies more frequently, greatly reducing space requirements and eliminating the need for a large rack.



Dale Beatty leads Finance huddle board in Phoenix



Tom Brown leads Customer Service huddle board in Phoenix



Josh Delgado owns metal fabrication huddle board in Florence



Chris Williams owns woodshop huddle board in Florence

## AMS Huddle Boards

In a culture of continuous improvement, empowering employees to provide the highest quality job performance is taken to a new level at ACI through the use of tiered huddles.

Tiered huddles are a series of brief, focused conversations that take place every morning across the organization, opening lines of communication from our staff all the way to executive management. The most critical issues are escalated to senior levels through the different tiers, thereby identifying concerns needing attention.

Items brought to a huddle are typically issues that cannot be resolved at the point of service or involve system or process issues that need to be reviewed.

Tiered huddles started during FY2019, beginning at the ACI Central Office in Phoenix. Since then, huddle boards have been rolled out to all shop locations and the Transportation Center.

## ASPC - Florence Improvements

Structural improvements were completed in the ACI Industrial Yard located at the Arizona State Prison Complex in Florence, AZ. The additions of concrete walkways and metal shade structures expand shop capability and improve storage of materials for both the wood and metal fabrication shops. Additional expansion is currently underway, and additional shade structures will be erected within the next six months.

In the wild horse and burro program, also located at ASPC - Florence, a new, larger hay barn was completed to meet the increasing needs of the horses and burros brought to ACI by the Bureau of Land Management. A recent influx of burros and the arrival of several hundred more this fall will keep the inmates in this training program busy as they work with these animals to gentle them and prep them for adoption.



Industrial yard shade structure



Industrial yard shade structure



New pad for continued expansion at ACI industrial yard



Preparing footings for shade structure expansion



Newly arrived burros.



New hay barn

# EPIC



A perspective view of a server room with rows of server racks extending into the distance. The racks are dark with glowing blue lights and circuit patterns. A digital network overlay with white nodes and lines is superimposed over the scene. The ceiling has skylights. The overall color palette is blue and white.

# ICOR<sup>®</sup>

**Arizona Correctional Industries has a long history with the financial applications of the Epicor<sup>®</sup> corporation. Starting with its use of the DataWorks program in 1998 to the implementation of the Vantage 8.0 system in 2005, touted as the industry's first "100% Service-oriented Architecture," to the move to Epicor 9 in 2014. As ACI has grown, so have its needs for a more dynamic ERP system.**

In today's correctional landscape technological proficiency is an issue often overlooked by a reentry community focused on providing basic post-incarceration necessities such as employment and housing. But with prisons historically cut off from the digital revolution, men and women regularly returned to society never having performed a Google search, used a tablet, or made a phone call on a smartphone.

We've excluded technology from our prisons for 30 years, but technical proficiency is now an essential job skill and a necessary life skill for every inmate leaving the correctional system.

Arizona Correctional Industries continues to do its part in the education and training of inmates with its move to EPICOR 10, our cloud-based ERP system that will provide state-of-the-art, real-world experience beginning in January 2020.

The process of moving from EPICOR 9 to the cloud-based 10 platform was a lengthy one that has taken over two years to complete, with numerous individuals involved from several different state agencies, including people from the Department of Corrections, Department of Administration, and the third-party companies Knowledge Services and CDW.

Having a workforce comprising both staff and inmates has always presented a challenge for both the IT Department and the security divisions to enable the normal flow of business while at the same time following department rules about inmates and technology. The move to a cloud-based platform presents even bigger challenges as ACI begins the changeover to EPICOR 10.

In September 2018, David Barbee, the EPICOR ERP systems administrator for ACI, assembled a team from various sections of ACI to begin meeting biweekly to discuss the transition process from EPICOR 9 to 10.

During those initial meetings, we began discussing process improvements in addition to focusing on the upgrade itself. The majority of the process improvement areas we discussed have been issues for many years at ACI, and they are an ongoing work in progress. Epicor recommended not including process improvements as part of the upgrade process; however, we will be able to add some additional training time and focus on certain problem areas. Once the upgrade itself is complete, we can focus more time on these process improvements as needed.

In these meetings, tasks were assigned that pertained to

the parts of EPICOR 9 that we wanted to keep, modify, or mark for inactivity. Vendor records and customer information all needed to be looked at along with product part numbers and a variety of reports, which may or may not be beneficial for EPICOR 10. This was not a small undertaking, with thousands of records to look at and update before this information was pulled over into EPICOR 10. In most cases, three months was the agreed time frame to complete these initial reviews.

In February 2019, the ACI Epicor Upgrade/Process Improvement Team began to meet on a weekly basis. As the company neared the close of the fiscal year, which was on June 30th, it was decided that the committee would not meet during this year end process, and meetings were suspended in May to be resumed in July.

During this period Mike Zinn, recently hired as a sale manager, joined the Epicor Upgrade Team and proposed the use of Salesforce, a Customer Relationship Management (CRM) program used to assist the sales team with their productivity. Salesforce also has a tie in with EPICOR 10. Mike would like to use the software as a stand-alone program in the months leading up to the launch of EPICOR 10 and then to use the integrated Salesforce/Epicor module after the launch in early 2020.

As the summer months of 2019 began, team members were starting to be able to access the pilot version of the new EPICOR 10 with historical ACI data. In addition, two other modules were installed: the Production module, and EPICOR Education (training database). This allows team members to go into the new version, see how things have changed, and utilize the many training videos that are now included as part of EPICOR 10.

Part of the process of migrating information from EPICOR 9 to 10 is deciding which reports ACI currently uses that need to be transferred, which ones are obsolete, and to identify the owners of these customer reports to determine how important they are in daily operations. Each of the hundreds of reports created had to be opened up and looked at by the committee, who determined whether it was necessary to replicate them in EPICOR 10. This process was much more time consuming than anyone thought due to the sheer volume and similarity of some of the reports. Ultimately, a framework of reports will transfer over, but in many cases new reports will have to be created as the need arises once we are established in EPICOR 10.

All the while, David Barbee and Dale Beatty were working with ADC IT to begin designing a process that would allow the ACI inmate workers to access the cloud

version of EPICOR 10 and the many training videos and other materials contained within the cloud. In August, a framework had been worked out and testing of the security access for the inmates began. Early attempts proved successful, and ACI is planning to begin assigning inmate access to EPICOR 10 for testing in late August.

The major rollout of the testing of EPICOR 10 will begin with staff and inmates in the field in September 2019. This will allow over three months for testing and training to commence before the anticipated go-live timeframe of January 2020.

Epicor establishes certain milestones to be reached during the upgrade process as part of the initial planning process for a company upgrade. These milestones are unique and pertain solely to the individual company and their journey through the upgrade process. As of August 2019, the milestones and their status are as follows:

**Milestone 1** - Software installation is complete.

**Milestone 2** - Project plan delivery is complete.

**Milestone 5** - First pass upgrade has been confirmed.

**Milestone 4** - CADLink installation and training has been cancelled at this time.

**Milestone 6** - Customizations of program delivery is 10% complete.

The following milestones are in process and have yet to be completed:

**Milestone 3** - Epicor financial planner installation and training.

**Milestone 7** - Validation pass upgrade returned.

**Milestone 8** - Go live is estimated for early January 2020.

**Milestone 9** - First month end completion.

**Milestone 10** - Second month end close.

## Six Reasons to Upgrade to Epicor ERP 10



At the end of this two-year journey, the technological infrastructure at Arizona Correctional Industries will be significantly changed. This upgrade will provide ACI with a combination of increased performance, additional stability, ease of use, a new mobile version of the EPICOR platform, enhanced tools for training, and room to expand as we prepare for our own growth.

To enable us to reach \$50 million in sales and beyond, ACI needs the added benefits that EPICOR 10 brings. As we begin the implementation in 2020, it will become even more important to follow through with the added training of personnel in all functional areas and changes to our processes we have identified over the course of the last two years. These key elements will propel us forward with a stronger infrastructure from which we can continue to grow.





**"Technology is not just a tool.  
It can give learners a voice  
that they may not have had  
before."**

**George Couros**



**HEART**

## Building a Resilient Infrastructure

As a bright teen with a zest for life, Stephanie Ray experimented with drugs and alcohol during high school and beyond. Despite living life as an alcohol and drug user, she appeared to function normally despite her addictions. Many high-functioning alcohol/drug users seem to keep their lives together while using in secret, but chronic alcohol and drug abuse always leads to negative consequences, often experiencing emotional problems others can't see. After years of these behaviors, the abuse was beginning to take its toll with an arrest for DUI. Sadly, the consequences for a small-town girl were not impactful enough and the habits continued. It was not until Stephanie's second arrest for aggravated DUI that her lifestyle got the better of her, resulting in a five-year prison sentence.

Entering the Arizona State Prison Complex at Perryville in August 2009, Stephanie started her prison sentence on the Santa Cruz unit. In a large yard with over 700 women, the chances of finding a job early on were small. Some girls had waited over a year, but Stephanie had been told to try for a teacher's aide position, and she managed to get in to test. By September 2009, she became an aide in education. While at Santa Cruz, Stephanie had heard about ACI jobs, but until her custody level changed, she would stay an education aide.

Reclassification came in 2010 and Stephanie was moved to the Santa Rosa unit. The transfer to this unit would prove an important step in Stephanie's growth over the coming years. Here she would start her classes at Rio Salado and have the opportunity to apply for a job at ACI.

The first position she applied for at ACI was in accounts payable. Having no accounting background but the will to learn, she began her job at ACI in July 2010. Stephanie took to accounting and absorbed as much as she could. Her supervisors made sure she had exposure to all aspects of the process, and, by the end of her time in the department, she seriously considered a career as an accountant.

After a year in accounting, an opening was posted in the Sales Department as assistant to a sales representative. Customer service jobs had always been something she had enjoyed earlier in her life, so she decided to apply. That would be the position she would stay in until her release from prison.

Using the credits she earned at Rio Salado college, Stephanie ultimately determined to build upon that foundation and got her General Studies diploma in 2013.



Next Stephanie finished Northland Pioneer College with an Associates in General Studies in 2014. She then went on to achieve a Bachelor of Science in Public Administration from Northern Arizona University in 2015. She then completed a Master of Arts in English with a Professional Writing Emphasis from Northern Arizona University in 2017.

Following some good advice and the practical demonstration of a positive outcome, Stephanie credits her supervisor Erika Seborg at ACI for inspiring her to use her community college credits in the NAU 90/30 program, just as she had seen Erika do during her time working at ACI. She also credits Erika's recommendation of seeking the advice of Bill Branson, director of training and development for Televerde, in helping her make some valuable decisions regarding education and grants.

Working to support herself and her children while going to school, Stephanie took a job as a grants management intern at the City of Show Low in 2015. Spring-boarding from that position to a position working for Arizona@Work as a grant writer/workforce specialist, she was able to begin the process of helping the unemployed and underemployed reach self-sufficiency.

Demonstrating her work ethic and ability to problem-solve, Stephanie applied for and secured the position of assistant economic and workforce director for Arizona@Work Navajo County in 2017.

Stephanie was one of the ex-offender panelists chosen for the first Reentry Forum held at the ASU Law School in Phoenix in 2017. She was able to tell her story and inspire business leaders who may have been reluctant about hiring those with barriers to employment.

Her hard work and ingenuity with Arizona@Work recognized, Stephanie was appointed executive director in April 2019.

Stephanie continues to strive to improve conditions for the underserved in Navajo County. Starting a nonprofit based on the need to better coordinate services and leverage resources, several community-based organizations have come together to create the Northeastern Arizona Community Resource Network. This organization has three goals: create a comprehensive network of service providers; implement a technology-based system that allows for common intake, referral, and communication regarding customer needs; and develop resource centers throughout Navajo County where individuals can access a variety of resources that will enable them to move out of poverty and into self-sufficiency.

Asking Stephanie which things she took with her from her time at ACI, the conversation went in many different directions. Regarding her ability to work, study, and be there for her children, she cited her 12-hour ACI work days. "When you maintain that kind of schedule for several years, you get into a groove, and after my release I was so used to getting up super early every day, that it really helped to fuel my ability to keep up with everything."

Stephanie mentioned her sense of integrity: "Working with Erika Seborg and many of my other mentors at ACI, I developed a strong sense of doing what was right over what was quick and easy. To be of best service to Erika, I needed to constantly push the envelope, and to be creative in order to help her grow her customer base."

Surprisingly one of the most important things that Stephanie said she received from her time at ACI is her ability to use soft skills. "Having to interact with customers and staff and other inmates all day long, you really need to hone those skills. Skills like teamwork, professionalism, communication, problem-solving, and flexibility/adaptability are things I use every day in all my interactions, both personal and professional."

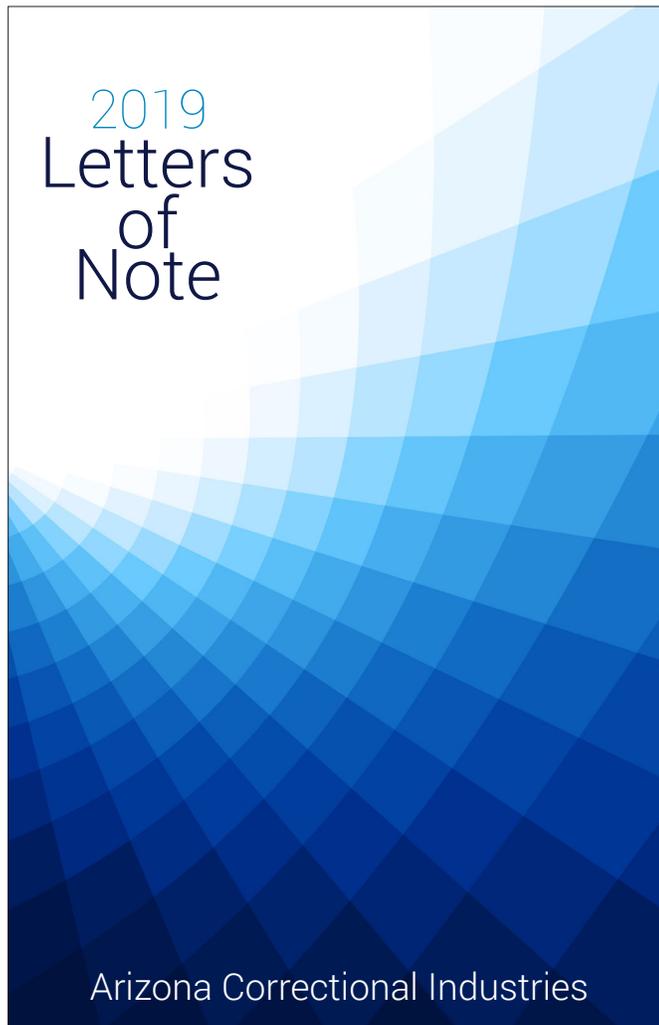
At the end of the interview, Stephanie said that, shortly before she left ACI, she had worked with Fred Siegel, a salesman who represented Navajo County on an order for custom trash receptacles for the city of Show Low. "Every morning when I pull into the parking lot at work those trash cans are the first thing I see, and it always makes me think of ACI and my time there."



# Acknowledging ACI's Impact

Occasionally, we are lucky enough to receive a letter from a former inmate with an update on their life. Within these letters we are thanked for the opportunity and experience our program may have provided. These letters are truly humbling and remind us that as an organization we can and do make differences in the lives of the incarcerated in Arizona on a daily basis.

In March 2018, when coming up with ideas of what to include in the ACI annual report, we approached Mario Diaz, labor operations administrator, about asking the inmates who were currently employed with our Labor Contract partners around the state of Arizona if they would be willing to write and tell us about how their ACI jobs affect them now and what they mean for their lives and employment prospects after their release. We then sorted through the letters and chose a few to highlight in a section of the 2018 annual report.



Cover 2019 Letters of Note

**My name is Don Perkins, and I'm taking this time to try and put into words how the ACI program has influenced my time here in DOC and to try and express my gratitude for the experience and opportunity they've provided me.**

**I began working at Fiesta Canning in March 2016. Having four years left on my sentence at the time, I felt very privileged to have the chance to get a job where I'd be able to save some money for my release. However, Fiesta (ACI) has given me more than just a way to make money. Over the past few years I've not only put to use some of the knowledge I already possessed, but have become knowledgeable in many other areas and gained skills I'd never thought possible before. I feel these skills could be put to use upon release to obtain a good job if need be.**

**I really enjoy learning and I am very grateful to ACI for the opportunity they have provided for me. With the retention money I'll have accrued, I'll be able to have a greater chance at success upon release. The extra money will definitely help to provide for me until my income starts rolling in.**

**So, ultimately I feel ACI is an amazing program for the Department of Corrections and I honestly feel they affect many lives in a positive way.**

**Thank you ACI**  
Respectfully,  
Don Perkins

**Having the opportunity to work at Aqua Chill through the ACI inmate labor program has been a tremendous opportunity for me. It has not only given me the means to support myself financially and not be a burden on my family while incarcerated, but also to keep up with my professional skills. I have been with Aqua Chill for four years this May and I have been able to gain new skills I did not know that I was capable of. I had previous experience in marketing, but never in telemarketing. I never thought that working in sales/telemarketing was possible and it was a huge undertaking for me to take a step in that direction. Aqua Chill gave me the tools and skills needed to be successful in that new adventure and to carry those skills to the Aqua Chill corporate office once I am released. I have learned a lot about myself and my abilities that I otherwise would have never known.**

**Within the four years here at Aqua Chill I have been the team lead for a little over two years. I have been able to teach the new skills I have gained to others as the team lead for the call center. Being able to pass on the encouragement and knowledge to new hires has been important for me. Watching and helping others grow into their new skill set gives me a chance to pay it forward.**

**If it were not for the opportunities provided by ACI I fear the computer literacy and professional skills that I had before coming to prison would have been lost over time. ACI has afforded me the ability to retain those skills and build upon them. The professional work environment provided by ACI has made me feel productive and positive about my experiences while incarcerated. It has given me the confidence to return to the workforce and be a productive member of society.**

**Respectfully,**  
Stacy Green

**In order to tell you where I'm going, I must tell you where I've been. I'm 47 years old and have been in and out of jail and/or prison for 30 years. As I write this I can't even believe how much I have missed out on. Beside the pain I have gone through, I have hurt my family and friends like no other. When I came to prison this time I was a broken man in many ways. I needed to do something different in my life.**

**It all started with getting and staying sober. In one more month I will be four years clean. As a direct result I have stayed ticket-free and was able to come to Bachman. I have been privileged to be able to work at ACI/Papa John's for the past 15 months and it is one of the best things that ever happened to me. This is the longest that I have ever held the same job. I wake up every day with a sense of purpose and pride in what I'm doing and who I am.**

**My goals are all based on what I'm doing in the present. I have never owned anything that I worked for, but that is all changing with the money that I'm saving from this job. I'm going to buy a home for myself and plant my feet firm on the ground. So that I can be a positive part of this world. Just knowing that upon release, I can have a job with Papa John's is a huge weight off me. All I know is that I can make it this time and I will. There is so much more I could say but I will close with this: the best feeling in the world is finally knowing I took a step in the right direction, a step toward the future where everything that I never thought possible is possible.**

**Thank you for the opportunity and may God bless you all.**

**Ron Alessi Jr.**

**I first heard about ACI while in county jail. Everyone who had previously been to prison all talked about ACI retention jobs. From that point forward I made up my mind that I was going to pursue that opportunity as soon as I had the chance. My chance finally came after stepping down to a minimum yard. My whole goal was to be able to save some money for when I get released so I am not so dependent on my family and friends, which will make it easier to transition back into society. An ACI retention job was the only path to achieve all the things I was searching for.**

**My opportunity finally came about a year and a half ago when I started working at Right Away Disposal (RAD). Since I was a general contractor prior to getting locked up I didn't know a lot about recycling plants, but I asserted myself to learn as much as possible. With the help of ACI and the partnership with Right Away Disposal, I have learned how to repair and maintain conveyor systems. I have learned shipping and receiving, managing product and about product quality assurance. I have been certified on how to safely operate several types of heavy equipment. So ACI has given me the opportunity to put myself in a better spot upon my release with a new set of skills and possibly future employment with those new skills. I am very thankful for what ACI has allowed me to do and for giving me the tools to succeed in the future.**

**Michael Madden**

Page from the 2018 Annual Report

When we received the responses back from the Labor Contract Division in June 2018, we were overwhelmed by the volume of responses we received. The amount was far beyond our expectations, and the honesty of their contents was very powerful.

Brian Radecki, CEO/business operations administrator, was so impressed by the letters that he asked that the letters be compiled in a book and published. In April 2019 the first edition of the "Letters of Note" was printed. ACI will continue to gather letters and will publish another issue of the "Letters of Note" in 2020, which will feature letters from the inmates who work in ACI's owned and operated businesses.

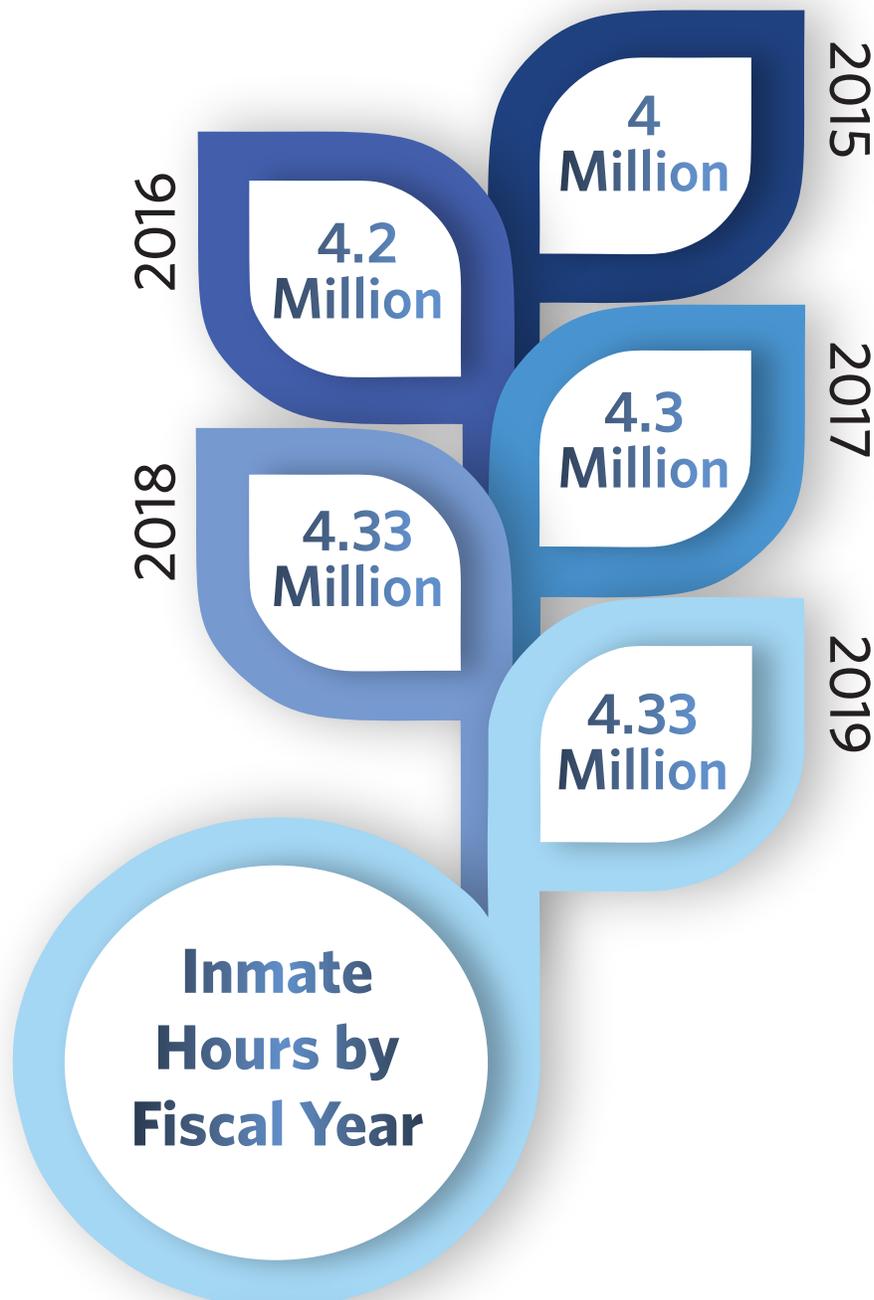


# AUTHORITY

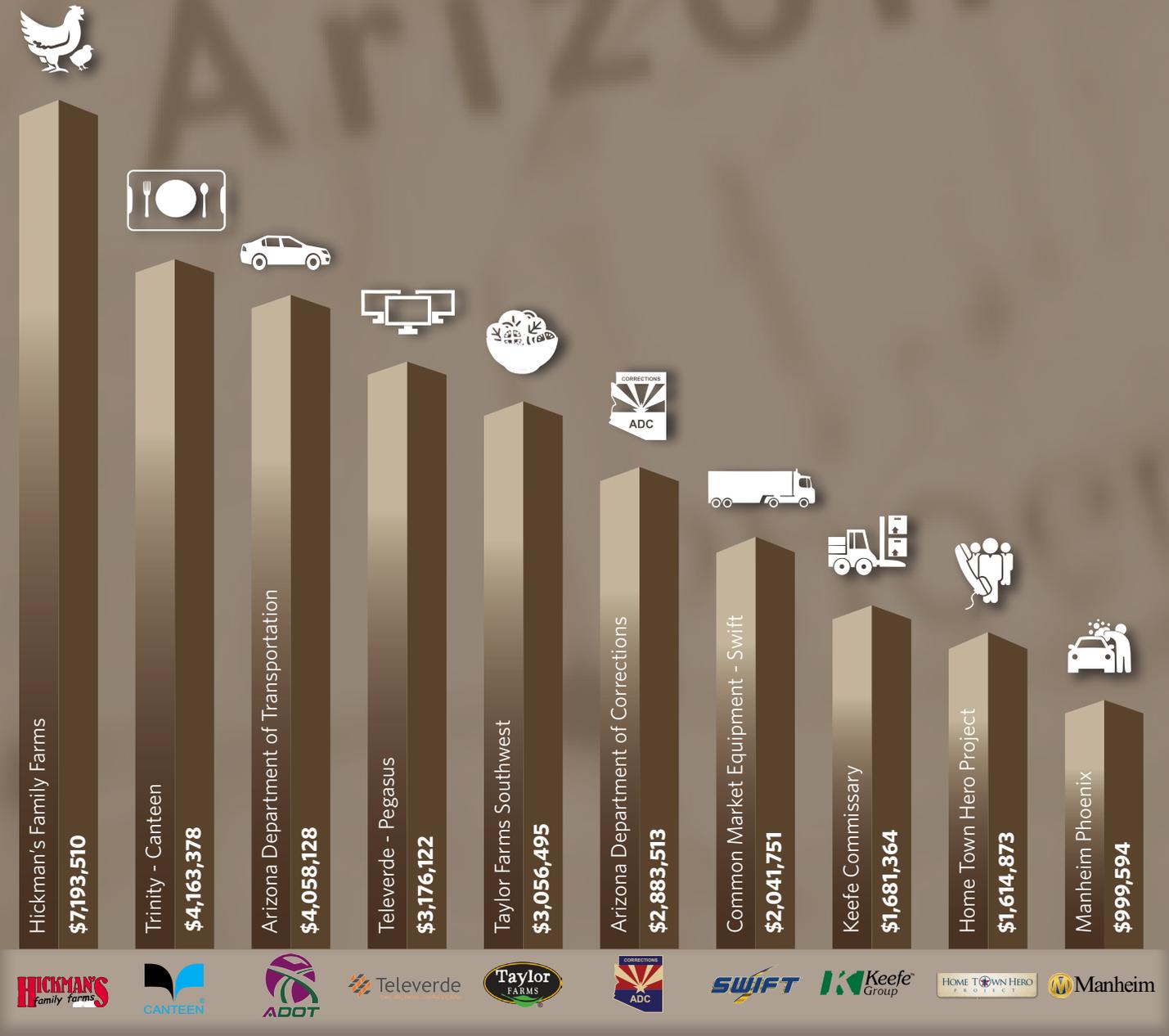


## FY 2019 Financial Focus

ACI contributes to the economic prosperity of the State of Arizona in many distinct ways. ACI is a financially self-sufficient program of the Arizona Department of Corrections. Receiving no financial support from taxpayers, the program operates entirely on revenue generated through its business activities. Deductions from inmate wages (e.g., taxes, room and board, restitution, and family support) relieve taxpayers of some of the expense of incarceration. Additionally, in support of its industries and enterprises, ACI purchases goods and services, employs staff, and creates a demand for goods and services that directly and indirectly benefit the Arizona economy. Each year, ACI profits contribute directly to the State General Fund, and additional monies are given directly to the Arizona Department of Corrections.



# FY 2019 TOP TEN CUSTOMERS





The total number of inmate workers is the combined number of workers in both ACI owned and operated shops and those with contributing labor contracts. The volume of workers remains steady, with minor fluctuations year to year. ACI is poised to increase this number, with new labor contracts coming on board in the coming fiscal year.



In fiscal year 2019, inmates earned \$12.7 million in wages. The chart shows the total wages paid out to ACI inmates over the past five years, totaling a significant \$56.9 million. Inmate wages offset the tax burden of room and board and also contribute directly to the General Fund.

## Inmate Wages by Fiscal Year

ARIZONA CORRECTIONAL INDUSTRIES  
**FINANCIAL  
STATEMENTS** (unaudited)

YEAR ENDING JUNE 30, 2019

# BALANCE SHEET

Years Ending June 30, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash in Bank & on Hand	51,604	273,195
Cash on Deposit with Treasurer	10,758,470	13,134,468
Accounts Receivable - Net	6,563,876	6,254,988
Inventories	4,881,615	4,885,865
Prepaid Expenses	71,819	79,176
<b>Total Current Assets</b>	<b>\$ 22,327,384</b>	<b>\$ 24,627,691</b>
Property & Equipment - Net	7,550,883	6,374,279
<b>Long Term - Other Assets:</b>		
Deferred Pension Contribution	1,226,000	1,228,710
<b>Total Long Term - Other Assets</b>	<b>\$ 1,226,000</b>	<b>\$ 1,228,710</b>
<b>Total Assets</b>	<b>\$ 31,104,268</b>	<b>\$ 32,230,681</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts Payable	1,135,004	1,192,698
Accrued Payroll & Benefits	679,561	1,106,913
Accrued Compensation	643,149	617,615
Accrued Liabilities	2,537,918	1,375,947
<b>Total Current Liabilities</b>	<b>\$ 4,995,632</b>	<b>\$ 4,293,172</b>
<b>Noncurrent Liabilities:</b>		
Deferred Revenue	161,090	65,794
Net Pension/OPEB Liability	9,638,142	9,671,543
<b>Total Noncurrent Liabilities</b>	<b>\$ 9,799,231</b>	<b>\$ 9,737,337</b>
<b>Deferred Inflows of Resources:</b>		
Deferred Pension/OPEB Inflow	1,579,437	1,154,567
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,579,437</b>	<b>\$ 1,154,567</b>
<b>Total Liabilities</b>	<b>\$ 16,374,300</b>	<b>\$ 15,185,076</b>
<b>EQUITY</b>		
Contributed Capital	2,463,077	2,463,077
Contributed Land/Building	741,162	741,162
Retained Earnings	4,841,366	7,376,585
Current Profit/(Loss)	6,684,362	6,464,780
<b>Total Equity</b>	<b>\$ 14,729,967</b>	<b>\$ 17,045,604</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$ 31,104,268</b>	<b>\$ 32,230,681</b>

# STATEMENT OF OPERATIONS

Years Ending June 30, 2019 and 2018

	2019	2018
Sales	47,974,027	44,667,735
Cost of Goods Sold	37,646,159	34,896,266
<b>Gross Profit</b>	<b>\$ 10,327,868</b>	<b>\$ 9,771,469</b>
<b>Operating Expenses</b>		
Selling	857,021	726,979
General and Administrative	3,006,746	2,729,559
<b>Total Operating Expenses</b>	<b>\$ 3,863,768</b>	<b>\$ 3,456,539</b>
<b>Non-Operating Revenue/(Expenses)</b>		
Investment Income	189,620	84,506
Misc Income	3,590	15,903
Net Gain/(Loss) on Equipment Disposal	27,051	49,441
<b>Net Non-Operating Revenue/(Expenses)</b>	<b>\$ 220,261</b>	<b>\$ 149,851</b>
<b>Income before Transfers</b>	<b>\$ 6,684,362</b>	<b>\$ 6,464,781</b>
Transfers to State of Arizona Funds	(9,000,000)	(2,450,000)
Total net assets, July 1	17,045,605	13,030,824
<b>Total net assets, June 30</b>	<b>\$ 14,729,967</b>	<b>\$ 17,045,605</b>

# STATEMENT OF CASH FLOWS

Years Ending June 30, 2019 and 2018

	2019	2018
<b>Cash flows from operating activities:</b>		
<b>Operating Income</b>	<b>\$ 6,464,102</b>	<b>\$ 5,893,435</b>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation expense	1,242,840	987,268
(Increase)/Decrease in accounts receivable	(308,888)	(856,957)
(Increase)/Decrease in inventories	4,250	(518,098)
(Increase)/Decrease in prepaid expenses	7,357	96,585
Increase/(Decrease) in accounts payable	(57,694)	(641,327)
Increase/(Decrease) in accrued payroll & employee benefits	(427,352)	272,634
Increase/(Decrease) in accrued compensation	25,534	31,949
Increase/(Decrease) in deferred revenue	95,296	0
Increase/(Decrease) in other accrued liabilities	1,161,971	204,354
(Increase)/Decrease in long-term deferred pension contribution	2,710	640,670
Increase/(Decrease) in long-term pension liability	391,469	(937,780)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 8,601,595</b>	<b>\$ 5,172,733.00</b>
<b>Cash flows from noncapital financing activities:</b>		
Cash transfer (to) from DOC	(7,500,000)	(1,450,000)
Cash transfer to ADC Bldg Renewal Fund	(1,500,000)	(1,000,000)
<b>Net cash provided (used) for noncapital financing activities</b>	<b>\$ (9,000,000)</b>	<b>\$ (2,450,000)</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of property, plant, and equipment	(2,419,443)	(1,962,093)
Gain on disposal of fixed assets	27,050	33,442
Misc cash proceeds	3,590	0
Capital lease interest	0	(1,149)
<b>Net cash provided (used) for capital and related financing activities</b>	<b>\$ (2,388,803)</b>	<b>\$ (1,929,800)</b>
<b>Cash flows from investing activities:</b>		
Interest receipts on investments	189,620	84,506
<b>Net cash provided (used) by investing activities</b>	<b>\$ 189,620</b>	<b>\$ 84,506</b>
Net increase (Decrease) in cash & cash equivalents	(2,597,588)	877,439
Beginning cash & cash equivalents balance	13,407,663	12,530,224
<b>Ending cash &amp; cash equivalents balance</b>	<b>\$ 10,810,075</b>	<b>\$ 13,407,663</b>



# ESSENCE

## Building a Multimedia Capacity

When it comes to marketing and branding in the 21st century, infrastructure takes on a very different meaning. Sure, it is still necessary to maintain an interactive website, create sales collateral, and develop an effective and affordable advertising schedule. But, more and more, it is vitally important to constantly be posting new content.

The days of shopping for price alone are long gone. Today's connected shoppers can instantly research products from around the world and learn everything they need to know to make smart buying decisions. They are increasingly looking at things like where, how, and by whom products are made. Often, it is the story behind the product that makes the sale.

In this context, ACI has some major advantages because we have such a great story. But now, how these stories are told is becoming more important than the stories themselves. On any given day, more than four billion YouTube videos are viewed,<sup>1</sup> accounting for 35% of all worldwide mobile internet traffic.<sup>2</sup> Almost 58% of all downstream traffic on the internet is in video format.<sup>3</sup> In other words, blogs, articles, and other traditional types of content are quickly being replaced by online videos.

## HD Broadcast AZ

### Video

ACI is fortunate to have a supply of great videos that have been created over the years by ADC's Scott Anderson. Additionally, just in the last year, we have doubled our inventory of online videos thanks to the efforts of our new videographer Craig McClure, owner of HD Broadcast AZ, who, after creating ACI's introduction video last year, recorded our first Reentry Employer Forum and created a wonderful video about Hickman Family Farms, new housing for returning citizens.

Craig also helped the NCIA's Marketing



Michele Kane, CALPIA

Committee, chaired by ACI's Brian Radecki, create a new promotional video. Using the virtual sets Craig can create in his studio in Scottsdale, NCIA President-Elect Danielle Armbruster, from Washington State Correctional Industries, recorded some narrative segments for the finished video.

Michele Kane from California Prison Industry Authority (CALPIA) directed the filming and supervised the editing of the video, which includes clips provided by correctional industries from around the country. Several clips from ACI videos are included in the finished NCIA video "Working on the Inside - Succeeding on the Outside", which was introduced



Craig McClure and Danielle Armbruster

to the NCIA membership at the annual National Training Conference in Minnesota in April 2019.

In FY 2019, the Marketing Department was able to install and begin learning how to use the Adobe Premier Pro® video editing software. With this tool, many of ACI's videos were updated to include the new branding (our trademarked logo and tagline). As we create new videos, we will need to, again, update our existing ones to meet ADA requirements (to include captions, where applicable). The plan is to train a few of the inmate clerks on how to use this video editing software so they can help keep ACI's expanding video library up to date.

The next challenge will be creating the possibility of producing live streams. These high-quality broadcasts are quickly gaining popularity because they appear to be spontaneous and authentic. But accomplishing that look takes a lot of preparation and skill. Luckily, we have already made headway in this direction with plenty of impactful stories to tell and by contracting Craig and his state-of-the-art HD recording studio.

#### SOURCES:

1 <https://www.internetlivestats.com/>

2 <https://www.sandvine.com/phenomena>

3 <https://www.pcmag.com/news/364353/netflix-and-youtube-make-up-over-a-quarter-of-global-internet>

## Exhibiting at and Sponsoring Events

As ACI's new sales manager, Mike Zinn is developing a strategy to increase business for ACI's shops and he has been working closely with the marketing team to explore ways to reach some new markets in Arizona. One promising sector they have identified is construction and property management. The sales team got a chance to meet many leaders in this area when ACI exhibited at the Arizona Small Business Association (ASBA) "Construction+Plus Expo" in Scottsdale in July 2019.

Given the nature of potential partnerships in this area, ACI is exploring the possibility of working with the ASBA and some other local business groups, such as the Arizona Contractors Association (AZCA) and the Arizona Chapter of the Associated General Contractors (AZAGC), to host a Lunch-and-Learn event for leaders in this market at the ACI Administrative Offices. Along with the sales team, Regional Operations Manager Bill Foster, and key managers from the wood and metal shops, these contractors would learn about ACI's capabilities as subcontractors for their businesses. Like at the Tucson event, attendees at this event could sign up to tour the industrial yard at the ASPC-Florence complex to see first-hand, what ACI could do for them.

One new potential partner that Account Manager Cinda Lockwood and the team have been in discussions with is Associated Asset Management (AAM), a professional community association management company, founded in 1990 that is one of the foremost providers of professional community association services in the United States. AAM would like to partner with ACI to manufacture jointly branded outdoor products for the 600 communities that they serve across Arizona.

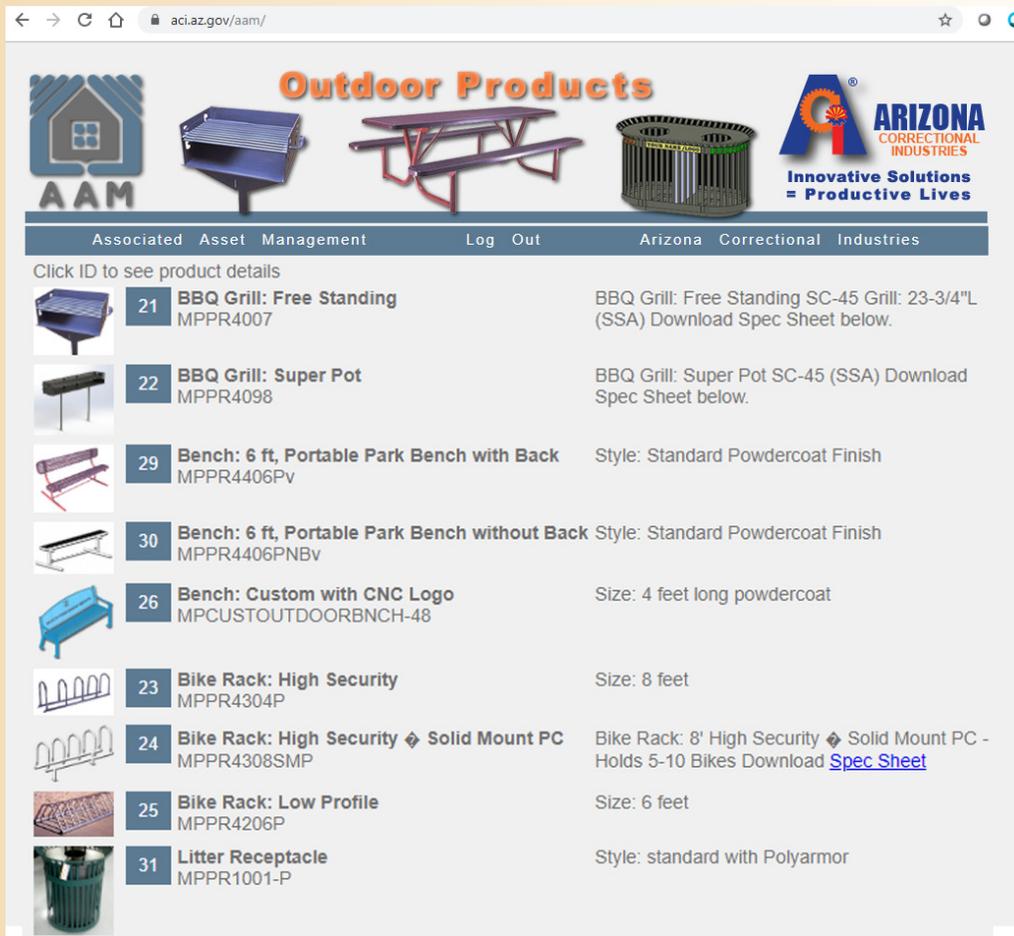
## Sales Force

After an intense hiring blitz, for the first time in a number of years, all ACI sales positions are currently filled. To better penetrate the sales opportunities in the thriving Tucson market, Mike partnered with ADC to create a sales office in the Pima Reentry Center (near downtown Tucson) out of which Account Manager Annette Anaya will work most of the time.

Mike is also trying to modernize the entire sales operation by introducing Salesforce, the leading sales management software tool in the world. This will help him and the sales team get a better handle on their day-to-day activities.



It will also help automate many routine sales activities, freeing up the sales team to do more prospecting. The Salesforce software seamlessly integrates with ACI's existing ERP software, Epicor, so the transformation should go smoothly and be ready to use in early FY 2020.



AAM page on ACI website



# AZ Game & Fish Collaborates on Second Fish Hatchery Renovation



Aerial view of Canyon Creek Hatchery

In December 2018, ACI was contacted by the Arizona Department of Game & Fish to collaborate on the renovation of the visitor center at the Canyon Creek Fish Hatchery located outside of Heber on the Mogollon Rim. After the successful completion of the Tonto Creek Fish Hatchery visitor center project last year, Tom Brown, the Sublimation Department, and Cinda Lockwood coordinated the design and installation of the new visitor center and several outdoor projects, which were completed in June 2019.

Canyon Creek Fish Hatchery is owned by the US Forest Service (Tonto Forest) and has been operated by the AZ Department of Game & Fish since 1969. A major renovation in 1992 converted the facility to its current use of 12 covered raceways and asphalted all surface roads.

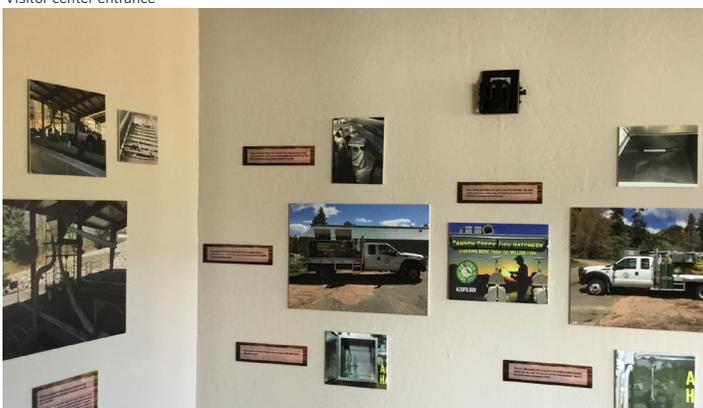
The infrastructure on the property includes four residences, a large hatchery shop/garage that also contains an office space and visitor center, a hatchery building with indoor tanks and a hydro-turbine to generate electricity for the facility, a feed storage shed, and several smaller structures for operational use. The property is staffed by four full-time hatchery employees who reside on site and are responsible for day-to-day operations and site maintenance.



Visitor center entrance



Trout identification walkway signage



Renovated visitor center



Rodeo/Chediski fire exhibit



**PRINCIPAL**

## Business Development/Labor Contracts



### Erickson Framing AZ

Begun in 2016 when Erickson managers could not consistently put together second-shift work crews with the available labor pool near their Chandler facility, the inmate program has been a success. General Manager Larry Butts once remarked that the daily output of the inmate crew forced the civilian crew to “up their game.”

With the recent housing rebound in Arizona, contractors throughout the state are facing challenges finding skilled labor. Erickson is able to keep up with the demand for their residential wall and truss framing services thanks to the reliable second-shift inmate crew. In fact, they are getting so much business that they wanted to put on a third shift, but there were no more inmates available to go to their facility each day.



Cutting station for frames and trusses



Assembly of wall frames



Assembly of wall frames



Loading finished frame onto trailer

Larry and his team then explored the Second Chance Center at Lewis Prison to see if they could build a crew by training inmates during the last months of their sentences and hiring them on release. They were able to hire a few carpenters, but not enough to create another shift. So they met with the Labor Operations Team to see if they could create an operation inside the Lewis complex. There medium security inmates, who are not eligible to leave the complex for work assignments, can work for Erickson.

In FY 2019, working with the ADC operations and the Warden’s staff, they helped Erickson set up a small framing operation inside the complex that employs 16 inmates who are learning much sought-after carpentry skills.



## Du-Brook/Desperado Dairies

As unemployment rates have tumbled in the last few years, dairies throughout Arizona have been struggling to maintain the 24/7 work crews they need. Unlike in manufacturing facilities where they can simply turn off the lights each evening, cows need to be fed and milked continuously. A couple of the family-run dairies in Pinal County began talking with ACI's Labor Operations Team several years ago, but there were simply no inmates available to work with them. Last year, the owners of several Casa Grande dairies looked to ACI for staffing help. Unfortunately, there were no inmates available in that area to work with them either. But Casey Dugan, the owner of Du-Brook Dairy persisted, asking, "Can we go ahead and sign a contract with the understanding that there are no inmates available now, so that when some become available we can quickly start working with them?"

This had never been done before, but both sides agreed to go ahead and write up the contract. In early 2018, it was signed and the Labor Operations Team began its search for available inmates. Working with wardens at the nearby state and private prisons, they proposed several ways to make some inmates available to work at Du-Brook but no inmates were available. Then, in September, another labor partner announced that they would no longer need their inmate crew. Within two weeks, those 10 inmates were on site at Du-Brook.

Since their first day at the farm, the talented inmates have impressed Casey and his managers with their willingness to learn every aspect of their operation. Encouraged by the Labor Operations Team, Casey and the managers have learned about the other skills the inmates have and put them to work in areas like machinery maintenance and welding, doing jobs that need to be done around the sprawling farm.

Like most labor programs, this one has grown quickly. Today, two shifts of inmates work various jobs at the dairy, seven days a week. The crew of 29 inmates, sends about 17 first shift, where as the second shift employs 12 inmates.



Milking station



Brian Chartier, industry program specialist



New born calf



Equipment maintenance



## LP Steel Industries

The newest ACI labor partnership, with LP Steel’s LP Tube operation in Stanfield (about 30 miles south of Phoenix), began in April 2019. General Manager Daniel Sepora learned about ACI through our industrial yard operators and thought a crew of unskilled inmates could help clean up a growing pile of scrap pipes behind his manufacturing facility. The standards for the water pipes they (and several Phoenix manufacturers) produce are very strict, and each day hundreds of pounds of “imperfect” pipes are discarded. Rather than simply toss them, he has found a market for them with farmers and ranchers who use them as fence posts. But to sell the pipes for those uses, they need to be sorted and packaged, and his work crew simply could not get to the task between their other duties around the plant.

The companies remote location made it difficult for the Labor Operations Team to find available inmates. But after discussions with the Marana Warden, it was decided that the inmate work crews that were doing maintenance at the COTA facility in Tucson could make the 60-mile trip to LP Tube, and inmates from the Tucson Complex would replace them at COTA.



Sorting and stacking finished tubing



Clinton Ferrell, industry program specialist

Shortly after the program started, Michael McCarville, regional operations manager was afraid that the inmates would quickly work themselves out of their jobs because they began to turn the huge mountain of random pipes into marketable bundles, neatly stacked and organized by size and type. But, like other labor partners, Daniel was learning the “unskilled” team of inmates actually had many talents. Some were able to help him set up a new operations room by installing the machinery.



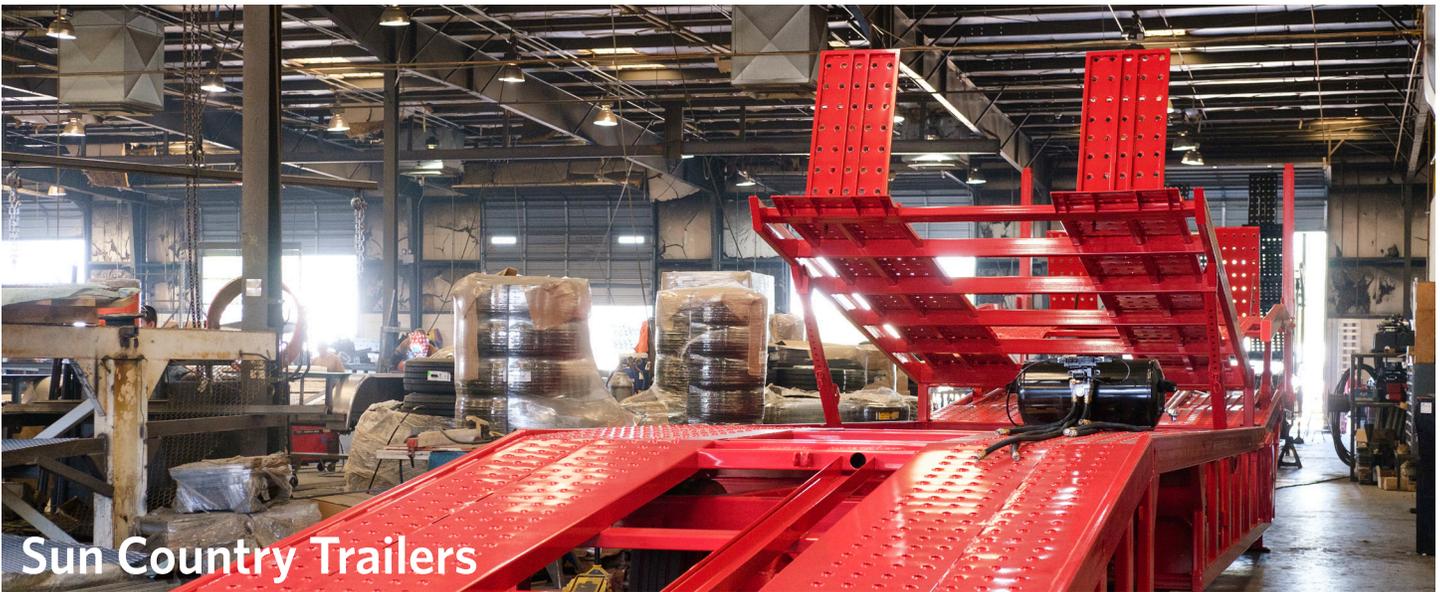
Bundled finished goods



Transfer and storage of materials

Inmates have learned about other operations around the plant and, though not involved in the actual manufacturing process, are assisting with many services, which frees up the civilian staff to concentrate on making pipes.





## Sun Country Trailers

Founded in 1986, this manufacturer sold commercial car haulers through a small group of dealers in the Southwest (mainly in Arizona). Recognized for the durability and dependability of their trailers, Sun Country's business expanded so much throughout the 90s and early 2000s that by 2014 they were struggling to find qualified welders and other metal workers to keep up with their expanding operations. Through a business contact, Sun Country President Brian Moran and Vice President Serena Moran contacted ACI to see if we might be able to help. Like all labor program partnerships, there was a long period of learning about each other, what inmates can do, and how to work with inmates. But Brian knew that having a reliable workforce could help him grow his business, so he learned about all the security measures he would need to implement and how he would need to ensure that his inmate crews only worked on the custom trailers for Arizona customers. The initial contract was signed in early 2015.

In 2018, Sun Country expansion plans forced a discussion about how the program could be revised so that inmates could work on interstate commerce production. In response to this question, the process of creating a PIECP (Prison Industry Enhancement Certification Program) was begun by completing the necessary governmental paperwork.

The Arizona Department of Labor worked with Bruce Shifflet, the ACI regional operations manager, to set the wage rate for the various jobs inmates would be performing. Other state agencies, such as economic development, labor unions, chambers of commerce, and local businesses were notified that the program was being created and were asked for comment. After about four months, all the feedback was collected and submitted for consideration to the US Office of Justice Programs. In early 2019, they quickly approved it.



Welding trailer frame.



Testing trailer electrical system.

Sun Country Trailer is ACI's second successful PIECP, alongside the JimGlo Trailer program, in Kingman. Through this program the inmates earn the prevailing wage for their specialized job skills and the products they make can now enter out-of-state markets.

Today, 28 inmates not only work side by side with some 50 civilian metal workers but also earn equivalent wages. Brian says that he would hire 10 to 15 more such inmates if they were available.

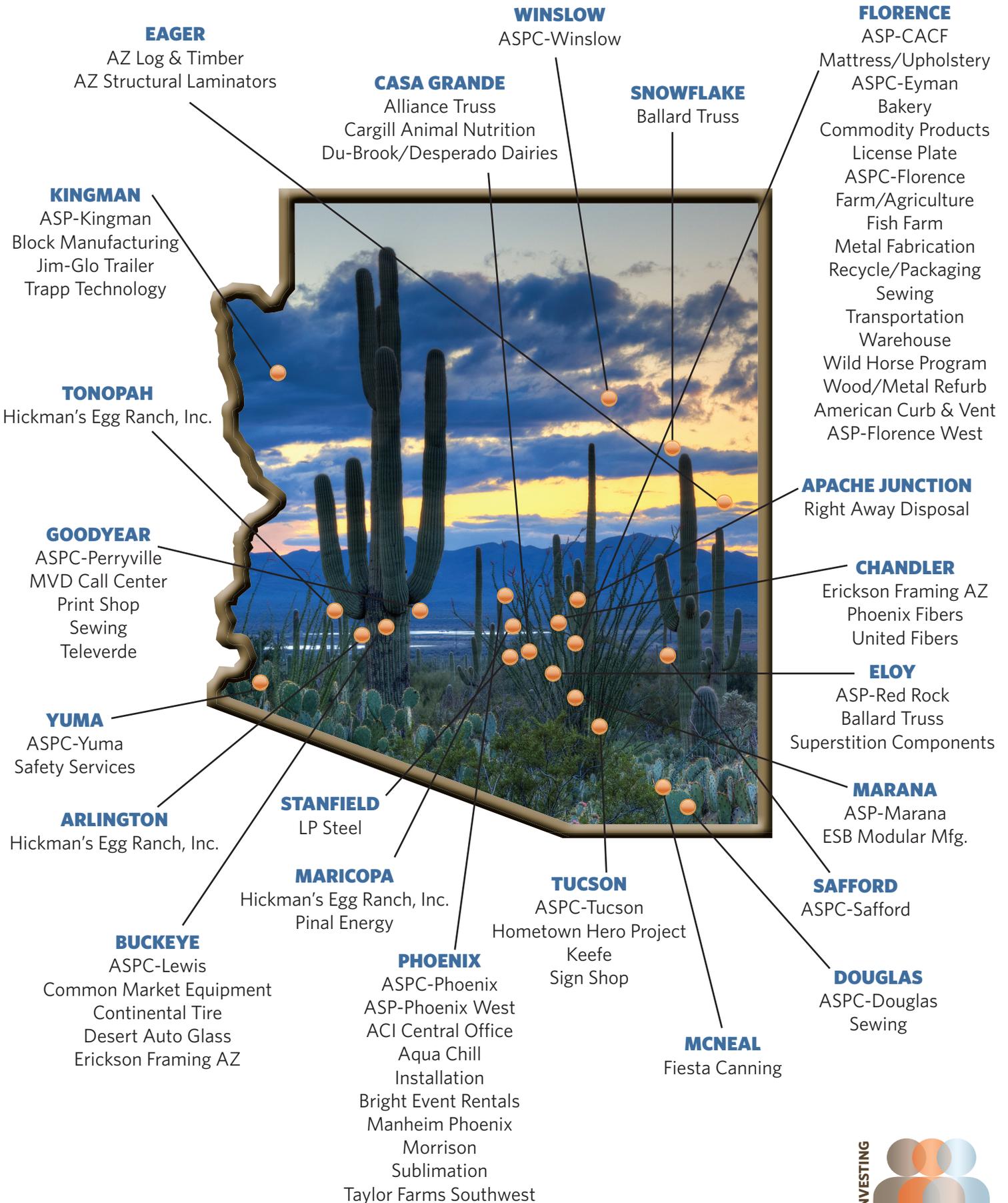


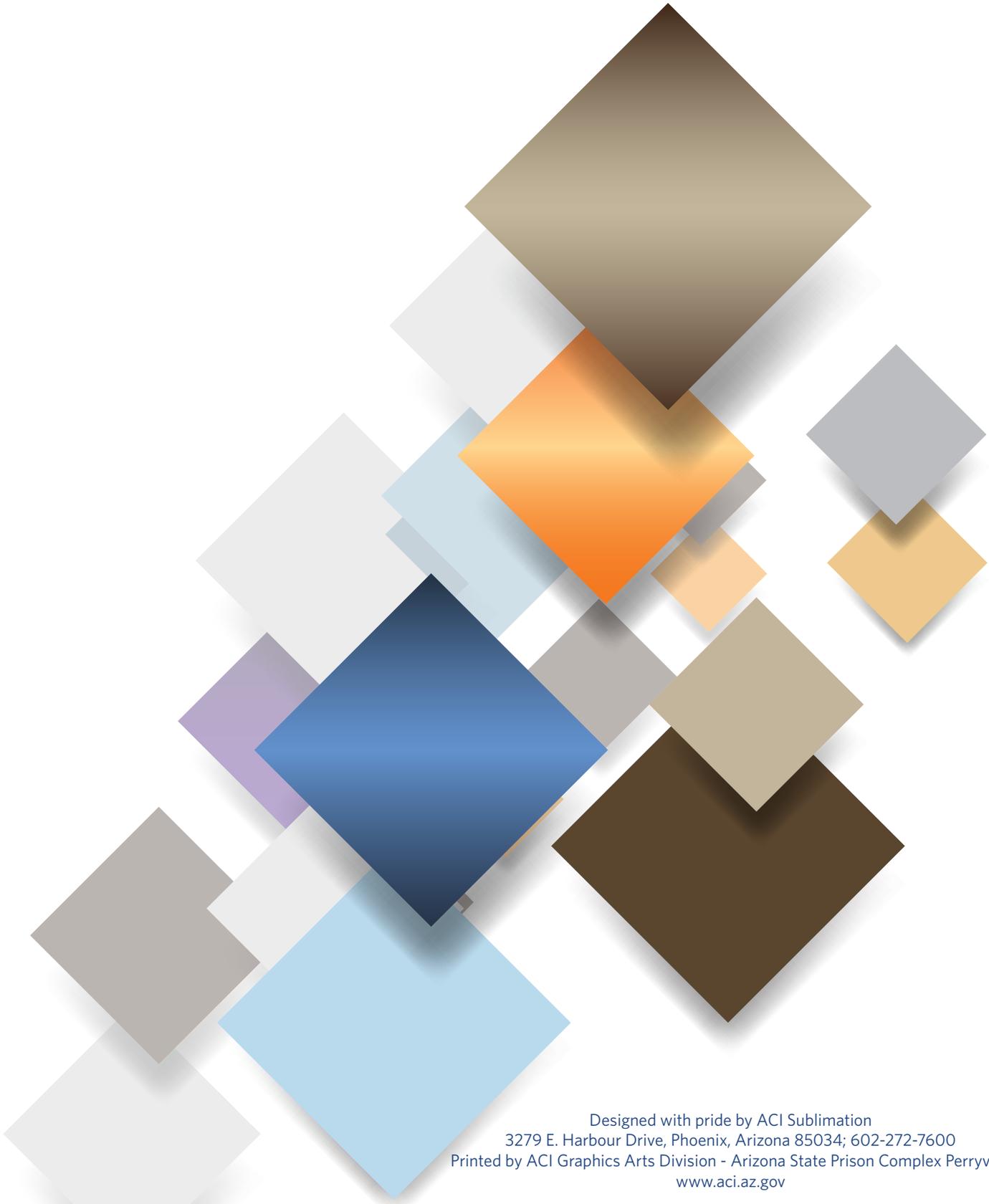
Welding of trailer bed.



Finished trailers awaiting shipment.

# Owned & Operated/Private Sector Labor Contracts





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