DEPARTMENT OF CORRECTIONS

Policy Number:	**402.080**
Title:	**MINNCOR Production – Capacity Reporting**
Effective Date:	**10/16/18**

PURPOSE: To provide consistency in determining and reporting manufacturing and production services capacities for each Minnesota Corrections Industries Program (MINNCOR) business unit.

APPLICABILITY: All adult facilities with MINNCOR production facilities

DEFINITIONS:

Available time – number of machines or workers multiplied by hours of operation.

Efficiency – actual output rated against standard output. Standard hours worked divided by hours actually worked, multiplied by 100%.

Production capacity – a unit amount of the business unit's optimum output including current production conditions. Historical realities such as the lack of sales or future plans for significant additions (e.g., space, equipment, offender numbers, or additional staff), when determined likely and affects the capacity for all or most of the reporting period, are factors in determining production capacity. Likewise, manufacturing capacity estimates are based on existing conditions that include the types of products historically produced and the existing levels of automation.

Rated capacity – available time multiplied by utilization multiplied by efficiency.

Sale projections – a forecast of actual sales (shipments and invoicing). Capacity is considered when determining sales projections, as are historical realities, such as the lack of sales, peaks and valleys, realistic growth probabilities, external economic forces, and other practical realities that limit optimum sales.

Utilization – percentage of time that the work center is active. Actual hours worked divided by scheduled work hours, multiplied by 100%.

PROCEDURES:

A. Industry directors must submit the annual rated capacity estimates for each of their work centers to the vice-president (VP) of operations and the chief financial officer (CFO), with their budgets for the upcoming fiscal year. These estimates must employ the above definitions, consider sales and output data for current and past years, and consider changes that may affect output for the upcoming year. Where possible, machine time, labor efficiencies, and shift times are all used in the calculation of the capacity amount. Examples:

1. A work center is utilized 50 hours per week and produces 40 standard hours (determined by build of materials) of work, equals 80% efficiency (40/50 * 100% = 80%).

2. The work center is available for 80 hours a week (two shifts) but only produces goods for 60 hours, this equals 75% utilization (60/80 * 100% = 75%).

3. The work center has three workers and is operated six hours a day for five days a week, which equals 90 hours per week (3 x 6 x 5). But only 54 hours (90 x 80% x 75%) are available due to the efficiency rating (#1 above) and the utilization rating (#2 above). If a product takes six hours to produce, this work center would have a rated production of nine units (only produce this unit 54/6 = 9) per week. If the sales department estimates they will sell 300 of these units in the year, that would equate to 1,800 hours. The 1,800 hours would be tied into production and take approximately 33 1/3 weeks (300/9) of the work center's time. With a 50 hour work-week year (#1 above) this production line would stand idle approximately 17 weeks and would need additional sales in other products to fill the time.

B. Output reports are routinely distributed to MINNCOR directors and used to develop and support capacity estimates. MINNCOR's accounting and production system (ERP) production and job-costing modules are used in all applicable manufacturing and reports from these modules are analyzed as to variances in pricing and process efficiencies.

C. The MINNCOR CFO begins the management review process.

D. Working paper is retained on file at the facility.

E. The capacity figures are loaded into a variety of automated management reports with month and year-to-date reporting throughout the fiscal year. Report formats and downloads are configured for constant capacity figures over the fiscal year. Unless capacities change dramatically, the figures are not altered until mid-year or the next fiscal year. Significant capacity changes may be footnoted on some reports as deemed appropriate by the MINNCOR executive team.

F. Where applicable, forecasts and capacities are loaded into MINNCOR's ERP production planning system.

INTERNAL CONTROLS:

A. Capacity reports are electronically retained in the data management system.

B. Working papers are retained at each facility.

ACA STANDARDS: None

REFERENCES: Minn. Stat. § 241.27

REPLACES: Division Directive 402.080, "MINNCOR Production-Capacity Reporting," 8/5/14. All facility policies, memos, or other communications whether verbal, written, or transmitted by electronic means regarding this topic.

ATTACHMENTS: None

APPROVALS:

Deputy Commissioner, Facility Services
Deputy Commissioner, Community Services
Assistant Commissioner, Facility Services
Assistant Commissioner, Operations Support