



County of Allegheny

Office of the Controller

Keefe Group/Keefe Commissary Network LLC
Report on Contract Compliance Procedures
For the Period
January 1, 2012 through December 31, 2013
(Non-Audit Service)

January 5, 2015

Chelsa Wagner
Controller

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CHELSEA WAGNER
CONTROLLER

COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

104 COURTHOUSE • 436 GRANT STREET
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November 7, 2014

Mr. Orlando Harper
Warden
Allegheny County Jail
950 Second Avenue
Pittsburgh, PA 15219

Keefe Group/Keefe Commissary Network LLC
Report on Contract Compliance Procedures
For the Period January 1, 2012 through December 31, 2013

Dear Warden Harper:

We performed procedures to evaluate The Keefe Group/Keefe Commissary Network LLC's ("Keefe") compliance with contract #73269 to provide commissary services at the Allegheny County Jail ("Jail"). Our procedures were applied to the period January 1, 2012 through December 31, 2013. Our engagement was performed as a non-audit service. Therefore, our engagement was not performed in accordance with *Government Auditing Standards*.

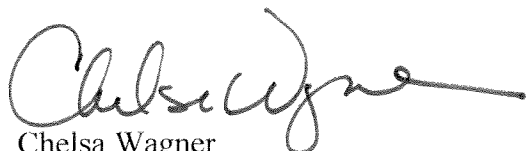
Based on the results of the procedures we performed, it appears that Keefe did not comply with the provision of commissary services contract #73269 that requires posting of credits to inmate accounts for missing or damaged commissary items within 24 hours. We also identified instances in which Keefe did not post credits to inmate accounts, or only posted partial credits to the inmate accounts. The Jail should work with Keefe to resolve these issues. The results of our procedures are included in the attached report.



Warden Harper
November 7, 2014
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We wish to thank the management and staff of the Allegheny County Jail and Keefe for their courtesy and cooperation during our engagement.

Kind regards,



Chelsa Wagner
Controller



Lori Churilla
Assistant Deputy Controller, Auditing

cc: Honorable John DeFazio, President, County Council
Honorable Nicholas Futules, Vice President, County Council
Honorable Rich Fitzgerald, Allegheny County Executive
Mr. William McKain, County Manager, Allegheny County
Ms. Jennifer Liptak, Chief of Staff, County Executive
Mr. Warren Finkel, Budget Director, Allegheny County
Mr. Joseph Catanese, Director of Constituent Services, County Council
Mr. Walter Szymanski, Budget Director, County Council
Ms. Monica Long, Deputy Warden, Allegheny County Jail
Mr. Eric Sowers, Account Manager, Keefe Group

Purpose of Procedures

The purpose of this engagement was to determine whether The Keefe Group/Keefe Commissary Network LLC (“Keefe”) complied with the terms of its contract to provide commissary services at the Allegheny County Jail for the period January 1, 2012 through December 31, 2013.

Background

The Keefe Group/Keefe Commissary Network LLC (“Keefe”) was initially awarded contract #73269 to provide commissary services for the period from May 1, 2007 to April 30, 2009. The contract also contained an option for up to three one-year renewal periods. Each such renewal was granted, extending the contract period to April 30, 2012. The contract was also subsequently renewed for two additional years, extending the contract period to April 30, 2014. Thereafter, a new contract #165487 was entered into for the period from May 1, 2014 through April 30, 2016. The contract also contains an option for up to three one-year renewal periods.

According to the contract, Allegheny County is to receive commissions of 42.4% of net commissary sales, except for sales of stamped envelopes. Net sales are defined as gross sales less applicable sales tax and returns. For 2012 and 2013, net commissary sales totaled \$2,447,963 and \$2,788,444, respectively, and the Jail’s commissions on the net commissary sales were \$1,037,936 and \$1,182,300, respectively.

In October 2008, the Jail implemented the use of kiosk machines. The kiosks, which are owned and operated by Keefe, were installed in inmate pods so that inmates can place their own orders. Inmates are currently limited to \$200 in commissary purchases per week. A Keefe employee downloads the orders from the kiosks. Keefe’s systems are linked to the Jail’s Offender Management System (OMS) so that funds for the purchases can be deducted from the inmate’s individual trust account.

All orders are electronically forwarded to Keefe’s offsite warehouse where they are filled. Each inmate’s order is packed separately in a sealed plastic bag. Each bag contains a two part receipt. A Keefe employee delivers the orders by pod, verifies the inmate’s identity, and confirms with the inmate that each item ordered is in the bag. The inmate is required to sign the receipt. If there is a problem with the order, such as missing or damaged items, a credit is issued to the inmate.

On a weekly basis, the Jail’s Inmate Account Supervisor verifies that the sales processed by Keefe agree to the sales processed through the Jail’s OMS. After the Inmate Account Supervisor verifies that all of the information agrees, he prepares a check from the Inmate Trust account to pay Keefe for its portion of the commissary sales that week. The Inmate Account Supervisor also prepares a check from the inmate account in the amount of the County’s total commissions on the net commissary sales for deposit in the Prisoner Welfare Fund.

Results in Brief

Our procedures revealed the following:

Finding #1: Credits Not Posted to Inmate Accounts for Items Not Delivered

Contract #73269 indicates that “a sale shall be deemed made when a product ordered by an inmate is delivered to the housing pod, and the product is not returned.” Therefore, when a product ordered by an inmate is not delivered, the inmate’s account should be credited for the amount paid for the item. We selected for testing a sample of 50 packing slips for deliveries that occurred during the period to which we applied our procedures with delivery exceptions noted, such as missing, damaged, and incorrect items. We determined that for 6 of the 50 packing slips with delivery exceptions noted (12%), credits were not posted to the inmates’ accounts as required. Specifically:

- We determined that 2 credits (4%) were issued in full, but were issued several weeks after the commissary orders were delivered. The credits due the inmates related to commissary orders placed in 2012, and at that time, the credits were required to be posted to the inmate accounts within 24 hours. This type of noncompliance was also reported as a finding in our most recently issued prior internal control report.
- We determined that 2 credits (4%) issued to inmates were credits for only a portion of the amount due the inmates.
- We determined that 2 credits (4%) due inmates were not posted to the inmates’ accounts.

Recommendations: The Controller’s Office recommends that:

- The Jail require Keefe to credit the accounts of the four inmates we identified that were not properly issued the full credits to which they were entitled.
- The Jail strengthen its monitoring of compliance with the significant terms and provisions of commissary services contract #73269 to ensure compliance. This should involve a periodic review to determine that credits due inmates are properly posted to their accounts.

I. Introduction

Pennsylvania law permits county prisons to operate a commissary if they choose. The Allegheny County Jail (“Jail”) provides a commissary which offers a variety of items for sale to inmates including toiletries, writing supplies, postage, and snack foods. The Keefe Group/Keefe Commissary Network LLC (“Keefe”) was initially awarded contract #73269 to provide commissary services for the period from May 1, 2007 to April 30, 2009. The contract also contained an option for up to three one-year renewal periods. Each such renewal was granted, extending the contract period to April 30, 2012. The contract was also subsequently renewed for two additional years, extending the contract period to April 30, 2014. Thereafter, a new contract #165487 was entered into for the period from May 1, 2014 through April 30, 2016. The contract also contains an option for up to three one-year renewal periods.

According to the contract, Allegheny County is to receive commissions of 42.4% of net commissary sales, except for sales of stamped envelopes. Net sales are defined as gross sales less applicable sales tax and returns. For 2012 and 2013, net commissary sales totaled \$2,447,963 and \$2,788,444, respectively, and the Jail’s commissions on the net commissary sales were \$1,037,936 and \$1,182,300, respectively.

When the contract was initially bid, the Jail included a core list of items which states the minimum size and a maximum allowable price for commissary items. Keefe’s pricing was set at the Jail’s maximum allowable price and was incorporated as part of the contract. A price increase may be requested through the Deputy Warden once per contract year.

Inmates may place one commissary order per week. Currently, inmates are limited to \$200 in commissary purchases per week including phone time. Based on the pod number, orders are processed on Mondays, Tuesdays and Wednesdays. Deliveries are made on Tuesdays, Wednesdays and Thursdays. Any necessary credits to the inmates are processed on Fridays.

In October 2008, the Jail implemented the use of kiosk machines. The kiosks, which are owned and operated by Keefe, were installed in the pods so that inmates can place their own commissary orders. (For security purposes, certain inmate pods still use the manual system that was in effect prior to the installation of the kiosks.) The inmate enters his or her DOC number as the user ID and enters a personally selected PIN number to access the system. The inmate then selects commissary items from drop down menus. The kiosk provides the inmate’s beginning balance, all of the selected purchases, and the new balance. The kiosks are linked to the Jail’s Offender Management System (OMS), so when an order is placed, it is simultaneously deducted from the inmate’s individual trust account. A Keefe employee downloads the orders from the kiosks and electronically forwards them to Keefe’s warehouse where they are filled.

The warehouse packs each inmate’s order separately in a sealed plastic bag. Each bag contains a two part receipt listing the items included in the bag along with the inmate’s name and the Department of Corrections (DOC) number. A Keefe employee delivers the orders by pod. The employee verifies the inmate’s identity using the Jail wristband (which contains the inmate’s picture and DOC number), and confirms with the inmate that each item ordered is in the bag. The inmate is required to sign the receipt. If there is a problem with the order, such as missing or damaged items, a credit is to be issued to the inmate. The inmate is required to bring this to the attention of the Keefe employee while they are reviewing their order.

I. Introduction

On a weekly basis, the Jail's Inmate Account Supervisor verifies that the sales processed by Keefe agree to the sales processed through the Jail's OMS. After the Inmate Account Supervisor verifies that all of the information agrees, he prepares a check from the Inmate Trust account to pay Keefe for its portion of the commissary sales that week. The Inmate Account Supervisor also prepares a check from the inmate account in the amount of the County's total commissions on the net commissary sales for deposit in the Prisoner Welfare Fund.

II. Scope and Methodology

We performed procedures to evaluate The Keefe Group/Keefe Commissary Network LLC's ("Keefe") compliance with contract #73269 to provide commissary services at the Allegheny County Jail ("Jail") for the period January 1, 2012 through December 31, 2013. Specifically, we:

- Reviewed past contract compliance reports to identify deficiencies associated with the Commissary and the implementation status of any recommendations to correct them.
- Interviewed Keefe and Jail personnel involved in the operation of the commissary and the disbursement of funds from the Inmate Trust account for commissary purchases.
- Documented the processes related to commissary sales and the payment of commissions on net commissary sales.
- Examined records of Keefe and the Jail pertaining to the commissary agreement in connection with the performance of the following procedures:
 - Assessed the existence and completeness of net commissary sales reported by Keefe for the period to which we applied our procedures.
 - Determined whether payments from the inmate account to Keefe and the Jail's Prisoner Welfare Fund (commissions of 42.4% of the net commissary sales) were appropriate based on the terms of contract #73269.
 - Determined whether commissary orders were filled accurately and within 72 hours of order placement as required by the contract (test basis).
 - Determined whether credits were proper and posted to inmate accounts within 24 hours of inmate order rejection as required by the contract (test basis).
 - Assessed Keefe's compliance with insurance, performance bond, and other significant contract compliance requirements (test basis).
- Applied other procedures as deemed necessary or practical.

We conducted our procedures from September 2014 through October 2014. We provided a draft copy of this report to the Warden of the Allegheny County Jail. The Warden's response begins on page 9.

III. Findings and Recommendations

Finding #1

Credits Not Posted to Inmate Accounts for Items Not Delivered

Contract #73269 indicates that “a sale shall be deemed made when a product ordered by an inmate is delivered to the housing pod, and the product is not returned.” Therefore, when a product ordered by an inmate is not delivered, the inmate’s account should be credited for the amount paid for the item. Contract #73269 also indicates that Keefe is required to issue credits and resolve any billing errors within 24 hours of the delivery of commissary orders. However, an agreement between the Jail and Keefe dated March 14, 2013 appears to waive the 24 hour requirement.

We selected for testing a sample of 50 packing slips for deliveries that occurred during the period to which we applied our procedures with delivery exceptions noted, such as missing, damaged, and incorrect items. We determined that for 6 of the 50 packing slips with delivery exceptions noted (12%), credits were not posted to the inmates’ accounts as required:

- We determined that 2 credits (4%) were issued in full, but were issued several weeks after the commissary orders were delivered. The credits due the inmates related to commissary orders placed in 2012, and at that time, the credits were required to be posted to the inmate accounts within 24 hours. This type of noncompliance was also reported as a finding in our most recently issued prior internal control report.
- We determined that 2 credits (4%) issued to inmates were credits for only a portion of the amount due the inmates.
- We determined that 2 credits (4%) due inmates were not posted to the inmates’ accounts.

While we were informed that the Jail has assigned the responsibility for monitoring the commissary services contract to a particular individual, it appears that the Jail did not identify deficiencies in the posting of credits to inmate accounts as a result of its monitoring activities.

By not crediting inmate accounts in full for damaged items, incorrect items, items not delivered, etc., Keefe has not complied with the requirements of contract #73269. The Jail has a fiduciary responsibility to safeguard inmates’ money held in trust, and a failure to hold Keefe accountable for posting credits when they are due is a failure to perform that duty.

Recommendations: The Controller’s Office recommends that:

- The Jail require Keefe to credit the accounts of the four inmates we identified that were not properly issued the full credits to which they were entitled.
- The Jail strengthen its monitoring of compliance with the significant terms and provisions of commissary services contract #73269 to ensure compliance. This should involve a periodic review to determine that credits due inmates are properly posted to their accounts.

COUNTY OF



ALLEGHENY

RICH FITZGERALD
COUNTY EXECUTIVE

December 22, 2014

The Honorable Chelsa Wagner
Allegheny County Controller
104 County Courthouse
436 Grant Street
Pittsburgh, PA 15219

Re: Keefe Group/Keefe Commissary Network, LLC contract compliance procedures for the period of January 1, 2012 through December 31, 2013.

Controller Wagner:

Thank you for the opportunity to respond to your report. The following issues were noted and addressed;

1. 2 credits (4%) were issued in full, but were issued several weeks after the commissary orders were delivered. The credits due to the inmates related to commissary orders placed in 2012, and at the time, the credits were required to be posted to the inmate's accounts within 24 hours.
 - A. The Allegheny County Jail and its commissary vendor entered into a written agreement waiver to forgo the 24 hours credit to satisfy the contractual deficiency. Please see the attached document and this document was provided to the Controller's office in March of 2013.
2. 2 credits (4%) issued to inmates were credits for only a portion of the amounts owed to inmates.
 - A. One (1) of these credits totaling \$50 was not to be credited by Keefe Commissary as these monies were due to inmate by Secures our telephone vendor at the time of sale. Please see the attached document verifying the order of telephone time.
 - B. The second credit totaling \$3.32, has been corrected, please see the attached document.
3. 2 credits (4%) due to inmates were not posted to the inmates' accounts.



ORLANDO L. HARPER, WARDEN
ALLEGHENY COUNTY JAIL
950 SECOND AVENUE • PITTSBURGH, PA 15219
PHONE (412) 350-2000 • (412) 350-2032
WWW.ALLEGHENYCOUNTY.US

A. The 2 credits totaling \$3.20 has been corrected please see attached document.

The Allegheny County Jail would like to thank you and your team for an efficient, timely and a professional audit of our Keefe Commissary account. In response to your findings, we will receive monthly credit reports from Keefe commissary to cross check with our Offender Management System for quality assurance.

Please contact me at 412.350.2025 for any additional comments or concerns.

Orlando L. Harper
Orlando Harper, Warden

12-22-2014
Date

Monica Long
Monica Long, Deputy Warden of Administration

12/22/2014
Date

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COUNTY OF



ALLEGHENY

RICH FITZGERALD
COUNTY EXECUTIVE

Agreement/Written Waiver

The following is an accepted agreement between Allegheny County Jail and the contracted provider Keefe Group/Keefe Commissary. Current contract states that Keefe will post credits to any inmates account within 24 hours of delivery. Due to Allegheny County Jail operations, a system to credit some accounts due to inmates not being available at delivery time is an accepted practice.

This agreement is accepted by the following representatives signed below and will be in effect till the term of the end of the contract.

Orlando L. Harper

Warden Orlando Harper

3-14-13

Date:

Monica Long

Deputy Warden Monica Long

March 14, 2013

Date:

James E. Dolhi

Keefe Commissary

3-14-13

Date:



ORLANDO L. HARPER, WARDEN
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