



# **County of Allegheny**

## **Office of the Controller**

**Keefe Group/Keefe Commissary Network LLC  
Report on Contract Compliance Procedures  
For the Period  
January 1, 2008 through December 31, 2009  
*(Non-Audit Service)***

**March 3, 2011**

**County of Allegheny  
Office of the Controller  
Mark Patrick Flaherty  
Controller**

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**MARK PATRICK FLAHERTY**  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

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**GUY A. TUMOLO**  
DEPUTY CONTROLLER

February 4, 2011

Mr. Daniel Burns  
Acting Warden  
Allegheny County Jail  
950 Second Avenue  
Pittsburgh, Pa 15219

Subject: **Keefe Group/Keefe Commissary Network LLC**  
**Report on Contract Compliance Procedures**  
**For the Period January 1, 2008 through December 31, 2009**

Dear Acting Warden Burns:

We performed certain procedures to determine The Keefe Group/Keefe Commissary Network LLC's (Keefe) compliance with its contract #73269 to provide commissary services at the Allegheny County Jail (Jail). Our procedures covered the period January 1, 2008 through December 31, 2009. These procedures were performed as a non-audit service. Therefore, this engagement is not covered by Generally Accepted Government Auditing Standards.

Our procedures found that Keefe has not properly retained all records associated with the delivery of commissary services as required in its contract. Keefe could not provide five (8%) of the 60 receipts that we requested for our testing.

We also noted that the Jail is not properly tracking, accounting for, and disposing of County fixed assets purchased with commissions from commissary sales. We selected 19 laptops for our testing. The Jail did not have six (32%) of the 19 laptops. According to Jail personnel, two of the six are no longer in use. The Jail does not know where the remaining four laptops are. Additionally, we found that the Jail has not corrected the internal control findings noted during our prior reports.

Acting Warden Burns  
February 4, 2011

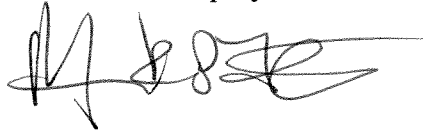
The results of our procedures and our recommendations are detailed in the attached report.

We would like to thank the management and staff of the Jail and Keefe for their courtesy and cooperation during our engagement.

Very truly yours,



Lori A. Churilla  
Assistant Deputy Controller, Auditing



MARK PATRICK FLAHERTY  
Controller

cc: Honorable Rich Fitzgerald, President, County Council  
Honorable William Russell Robinson, County Council  
Honorable Dan Onorato, Chief Executive, Allegheny County  
Mr. James M. Flynn, Jr., County Manager, Allegheny County  
Allegheny County Jail Oversight Board  
Ms. Amy Griser, Budget Director, Allegheny County  
Mr. Joseph Catanese, Director of Constituent Services, County Council  
Ms. Jennifer Liptak, Budget Director, County Council  
Mr. Guy A. Tumolo, Deputy Controller, County Controller's Office  
Mr. Robert J. Lentz, Assistant Deputy, Accounting, County Controller's Office  
Ms. Pamela Goldsmith, Communications Director, County Controller's Office  
Mr. Greg Grogan, Deputy Warden, Allegheny County Jail

## ***EXECUTIVE SUMMARY***

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### **Purpose:**

The purpose of this engagement was to determine if The Keefe Group/Keefe Commissary Network LLC (Keefe) was in compliance with the terms of its contract to provide commissary services at the Allegheny County Jail (Jail) for the period January 1, 2008 through December 31, 2009.

### **Background:**

State law permits county prisons to operate a commissary. The Jail provides a commissary which sells a variety of items including toiletries, writing supplies, postage, and snack foods to the inmates. Currently, inmates are limited to \$200 in commissary purchases per week.

According to the contract, Allegheny County receives 42.4% of net commissary sales. The Jail's commission is deposited into the Prisoner Welfare fund, which is included in the County's accounting system. For 2008 and 2009 gross commissary sales totaled \$2,164,572, and \$2,476,094, and the Jail's commission totaled \$903,580, and \$981,145 respectively.

Prior to October 2008, inmates placed commissary orders manually by completing a "bubble sheet". A Keefe employee scanned these forms into their commissary system. In October 2008, the Jail implemented the use of kiosk machines which are installed in the pods so that inmates can place their own orders. The kiosks are owned and operated by Keefe. 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 OMS. After the Supervisor verifies that

## ***EXECUTIVE SUMMARY***

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all of the information agrees, he prepares a check from the Inmate Trust account to pay Keefe for its portion of the commissary sales for that week. He also prepares a check to Allegheny County for the Jail's commission on the commissary sales.

### **Results in Brief:**

Our procedures revealed the following:

#### **Finding #1:**

The Jail has not implemented the findings and recommendations noted during prior reports. Specifically we noted that:

- There are no written policies and procedures regarding the reconciliation processes between the Jail's and Keefe's systems.
- The contract requires that credits to inmates be issued within 24 hours from the time of product delivery. Deliveries are made Tuesday through Thursday and all credits are applied on Friday. Therefore, credits resulting from Tuesday and Wednesday deliveries are not being issued within 24 hours as required.
- No one is monitoring the commissary contract in order to determine if the vendor is in compliance with the contract terms.

#### **Finding #2:**

- The Jail is not properly tracking, accounting for, and disposing of County fixed assets purchased through commissary sales commission.
- The Jail did not have five (26%) of the 19 laptops we tested. According to Jail personnel:
  - Two of the six are no longer in use. We were told by Jail management that one of these two was inadvertently destroyed and the other one was retired because it was obsolete. However, the Jail cannot provide documentation to substantiate these claims.
  - The Jail cannot locate the remaining three laptops.

#### **Finding #3:**

- We requested a sample of 60 receipts from Keefe for our testing. Keefe initially could not provide ten of the 60 (17%) receipts we requested. During our fieldwork, we made three requests to the Keefe Supervisor for all ten of the missing receipts.



## ***EXECUTIVE SUMMARY***

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- After the Deputy Warden contacted the Keefe Account Manager, Keefe was able to provide five receipts.
- Keefe was still unable to locate the remaining five receipts (8%).

### **Recommendations:**

We recommend that the Jail:

#### **Recommendations for Finding #1:**

- Establish written policies and procedures regarding:
  - The reconciliation of commissary sales between the Jail's OMS and Keefe's system,
  - Deposits collected by Keefe, and
  - The deposit reconciliation process.
- Require Keefe to apply credits to the inmate accounts within 24 hours of delivery to ensure contract compliance. Alternatively, amend the contract to reflect any agreement reached between the contracting parties on the application of credits.
- Assign management to be responsible for the ongoing monitoring of the commissary contract, in order to ensure that the vendor is in compliance with the contract.

#### **Recommendations for Finding #2:**

- Perform a physical inventory of all fixed assets on a routine basis to ensure assets are properly safeguarded.
- Follow all County policies regarding asset control and disposal.

#### **Recommendation for Finding #3:**

- Require Keefe to retain all documentation supporting commissary sales in accordance with the terms of its contract. This documentation should be readily available and supplied to the auditors in a timely manner.

We recommend that Keefe:

#### **Recommendation for Finding #3:**

- Ensure all records are retained in accordance with the terms of the contract.

## **I. Introduction**

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State law permits county prisons to operate a commissary if they choose. The Allegheny County Jail (Jail) provides a commissary which sells a variety of items including toiletries, writing supplies, postage, and snack foods to the inmates. Inmates may place one commissary order per week. 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. Currently, inmates are limited to \$200 in commissary purchases per week including phone time.

The Keefe Group/Keefe Commissary Network LLC's (Keefe) was awarded the contract to provide commissary services and began operations on May 1, 2007. Keefe's contract is awarded through April 30, 2009 with the option for three one-year renewals. The first one-year renewal option was granted extending the contract to April 30, 2010. When the contract was 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.

According to the contract, the Jail receives 42.4% of net commissary sales. Net sales are defined as gross sales less applicable sales tax and returns. Commission is not paid on postage. The Jail's commission is deposited into the Prisoner Welfare fund, which is included in the County's accounting system. For 2008 and 2009 gross commissary sales totaled \$2,164,572, and \$2,476,094, and the Jail's commission totaled \$903,580, and \$981,145 respectively.

Prior to October 2008, commissary orders were placed manually. Inmates filled out a "bubble sheet" for items listed on the commissary menu. A Keefe employee scanned these forms into their commissary system. Once all of the order forms were scanned, they were processed electronically through the Jail's OMS at which time the funds for these purchases were deducted from the inmate's individual trust account. The orders were then electronically forwarded to Keefe's warehouse where they were filled.



# **I. Introduction**

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In October 2008, the Jail implemented the use of kiosk machines for placing commissary orders. The kiosks, which are owned and operated by Keefe, were installed in the pods so that inmates can place their own commissary orders. The inmate enters his DOC number as the user ID and enters a personally selected PIN number to access the system. The inmate 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. For security purposes, certain pods still use the manual system referred to above. 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 number (DOC). 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 issued to the inmate. The inmate is required to bring this to the attention of the Keefe employee while they are reviewing their order. Credits are processed every Friday.

On a weekly basis, the Inmate Account Supervisor verifies the sales processed by Keefe agree to the sales processed through the Jail's OMS. After the Jail's 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 Jail's Supervisor also prepares a check to Allegheny County for the Jails' commission on the commissary sales.

## **II. Scope and Methodology**

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Our procedures evaluated The Keefe Group/Keefe Commissary Network LLC's (Keefe's) compliance with its contract to provide commissary services at the Jail for the period January 1, 2008 through December 31, 2009. Specifically, we performed the following:

- 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.
- Reviewed past contract compliance reports to identify problems associated with the Commissary and the status of any recommendations to correct them.
- Reviewed the minutes of the Jail Oversight Board meetings for the period January 2008 through December 2009.
- Performed an analytical review in which monthly commissary revenues were compared with monthly changes in inmate population.
- Documented the processes related to commissary purchases and the payment of commissary sales.
- Evaluated the Jail's internal controls and related procedures involved in contract compliance and approval of Keefe's charges to inmate accounts for purchases from the commissary.
- Examined records of Keefe and the Jail as they pertain to the commissary agreement to determine if sales are being accurately recorded, and commissions are being correctly calculated and properly remitted to the Jail.
- Reconciled commissary sales totals from Keefe invoices to the Jail's OMS.
- Verified that the amounts paid to the Jail for commissions and to Keefe for net commissary sales were accurate.

## **II. Scope and Methodology**

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- Examined cancelled checks and verified that commissions were properly deposited in the County's Prisoner Welfare Fund.
- Traced and reconciled inmate purchases to the order forms and the Jail's OMS.
- Verified that returns were properly credited back to the inmate's account.

We performed these procedures from September through December 2010. We provided a draft copy of this report for comment to the Jail's Acting Warden. The Acting Warden's response begins on page 15, and Keefe's response begins on page 18.

### III. Findings and Recommendations

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#### Finding #1

#### **The Jail Has Not Corrected Findings Noted During Prior Reports**

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The Controller's Office issued a contract compliance report for commissary services provided by The Keefe Group/Keefe Commissary Network LLC (Keefe) for the period January 1, 2007 through December 31, 2007 in September 2008. During our current engagement, we discussed the findings and recommendations made to the Jail in this prior report. We found that the following concerns noted in our prior report still exist.

The Jail and Keefe utilize separate systems to record commissary sales. The two systems are linked so that commissary sales processed through the Keefe system are updated in the Jail's Offender Management System (OMS). In addition, the balance of each individual inmate's account is automatically reduced per commissary purchase. In October 2008, Keefe began collecting payments for individual inmate accounts through kiosks maintained in the Jail's lobby, online through its website, and over the phone.

During our engagement, we noted that a Jail employee reconciles the daily sales in each system as well as the deposit reports from Keefe against the Jail's bank deposit. However, we found that there are no written policies and procedures regarding these reconciliation processes. Without current written policies and procedures, the Jail cannot ensure that assets are secured, transactions are properly processed and that documentation supporting commissary sales is adequately maintained.

The commissary contract requires that credits be issued and billing errors resolved within 24 hours from product delivery, excluding weekends and holidays. Currently, Keefe places orders Monday through Wednesday and makes deliveries Tuesday through Thursday. However, all credits are applied on Fridays. Therefore, credits resulting from Tuesday and Wednesday deliveries are not being issued within 24 hours as required.

During both our prior and current procedures, we also noted that the Jail is not monitoring the commissary

### **III. Findings and Recommendations**

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contract in order to determine if the vendor is in compliance with the contract terms. Without proper monitoring and oversight, it is difficult to ensure contract compliance.

#### **Recommendations**

We recommend that the Jail:

- Establish written policies and procedures including:
  - The reconciliation of commissary sales between OMS and Keefe's system,
  - Deposits collected by Keefe, and
  - The deposit reconciliation process.
- Require Keefe to apply credits to the inmate accounts within 24 hours of delivery to ensure compliance with the contract. Alternatively, amend the contract to reflect any agreement reached between the contracting parties on the application of credits.
- Assign management to be responsible for the ongoing monitoring of the commissary contract, in order to ensure that the vendor is in compliance with the contract.

### III. Findings and Recommendations

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#### Finding #2

#### **The Jail is Not Properly Tracking Fixed Assets**

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The County Controller's Office has implemented the Fixed and Heritage Asset Control Policies and Procedures (Fixed Asset Policy). The Fixed Asset Policy states that Directors are responsible for fixed asset control within their department. All fixed assets must be accounted for at all times, and the purchases must be reported to the Controller's Office Asset Management Division in order to be properly included in the Property Control Database System. The Controller's Office must approve the disposal of all fixed assets. Lost, stolen, or destroyed assets must be reported to the Controller's Office. Furthermore, lost or stolen items must be reported to the County Police and the Insurance Administrator in the Law Department.

In addition, the County's Department of Administrative Services has issued the Computer and Electronic Equipment Disposal and Recycling and Certified Data Destruction Policy. This policy establishes a program for disposing and recycling of computers and outlines data destruction for all County locations.

Our testing found that the Jail is not properly tracking, accounting for, and disposing of its fixed assets. We selected all of the televisions and laptops that were listed as still in use on the fixed asset list for the Prisoner Welfare Fund. We physically observed the asset and compared the serial number and county asset number on the item to the fixed asset list. We were able to verify all three of the televisions were still in use by the Jail. However, our procedures revealed that the Jail did not have five (26%) of the 19 laptops we tested. According to Jail personnel, two of the laptops are no longer in use. Of these two laptops, Jail management stated that one was inadvertently destroyed and one was retired because it was obsolete. However, the Jail could not provide documentation to substantiate these claims. The Jail could not locate the remaining three laptops. Additionally, the user name on the fixed asset list is incorrect for 12 (92%) of the 13 laptops that we were able to physically observe.



### **III. Findings and Recommendations**

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#### **Recommendations**

We recommend that the Jail:

- Perform a physical inventory of all fixed assets on a routine basis to ensure assets are properly safeguarded.
- Follow all County policies regarding asset control and disposal.

### **III. Findings and Recommendations**

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#### **Finding #3**

#### **Lack of Contract Compliance**

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Each inmate's commissary order arrives in a separate bag which contains a two-part receipt. When the Keefe employee delivers the order to the pod, he verifies the inmate's identity using the receipt and Jail wristband, and confirms with the inmate that each item ordered is in the bag. The inmate is required to sign the receipt. Keefe maintains one copy of the signed receipt and the other copy is given to the inmate. Records are kept on site for one month. These records are then shipped to Keefe's corporate location where they are retained for five years. Keefe's contract requires that it keep full and accurate records of deliveries in connection with commissary services.

We requested a sample of 60 receipts from Keefe for our testing. Keefe could not initially provide ten of the 60 (17%) receipts we requested. During our fieldwork, we made three requests to the Keefe Supervisor for all ten of the missing receipts. We discussed the missing records with the Deputy Warden who contacted the Keefe Account Manager. After this, Keefe was able to provide five receipts, but was still unable to locate the remaining five receipts (8%).

#### **Recommendations**

We recommend that the Jail:

- Require Keefe to retain all documentation supporting commissary sales in accordance with the terms of its contract. This documentation should be readily available and supplied to the auditors in a timely manner.

We recommend that Keefe:

- Ensure all records are retained in accordance with the terms of the contract.



BUREAU OF CORRECTIONS  
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**WILLIAM EMERICK**  
ASSISTANT DEPUTY  
WARDEN

February 24, 2011

Ms. Lori Churilla  
Assistant Deputy Controller  
Auditing Division  
104 Courthouse  
436 Grant Street  
Pittsburgh, Pa 15219-2498

Dear Ms. Churilla,

On behalf of the Administration for the Allegheny County Bureau of Corrections, I would like to take this opportunity to thank your agency for its recent review of the Jail Commissary and the Inmate Trust Account.

The periodic reviews performed by your department, are vital in our efforts to promote fiscal responsibility and are essential for the improvement of procedures and services provided by our institution.

The accompanying pages will consist of responses to the Controller's recommendations for the audit reviews cited above.

If I may be of further assistance, please feel free to contact me at 412-350-2266.

Sincerely,

A handwritten signature in black ink, appearing to read "DB", written over the word "Sincerely,".

Daniel Burns  
Warden, Allegheny County Bureau of Corrections



**DAN ONORATO**  
CHIEF EXECUTIVE

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ASSISTANT DEPUTY  
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**KEEFE GROUP/KEEFE COMMISSARY NETWORK LLC**  
**CONTRACT COMPLIANCE PROCEDURES FOR**  
**JANUARY 1, 2008 THROUGH DECEMBER 31, 2009**

**JAIL RESPONSES TO CONTROLLER'S OFFICE**  
**RECOMMENDATIONS**

**RECOMMENDATION:** Establish written policies and procedures for the reconciliation of commissary sales between OMS and Keefe's system along with deposits collected by Keefe and to include the deposit reconciliation process.

**RESPONSE:** Although a policy does exist for the reconciliation of commissary sales, adjustments and additional written procedures may be necessary once DSI installs an upgrade for the OMS accounting program.

**RECOMMENDATION:** Require Keefe to apply credits to the inmate accounts within 24 hours of delivery per the contract specifications. Otherwise, amend contract as necessary.

**RESPONSE:** As this agreement was attained through the RFB (bid) process, the County Purchasing Department is responsible for any revisions to the document. The Jail will meet with Keefe management and if it is deemed unfeasible for the 24 time frame to be attained, Jail Administration will request an amendment to the existing agreement.

**RECOMMENDATION:** Assign management to be responsible for monitoring of the commissary contract and to ensure contract compliance.

**RESPONSE:** The Deputy Warden for Services will schedule periodic meetings with the parties responsible in the commissary process.

**RECOMMENDATION:** Perform a physical inventory of all fixed assets on a routine basis to ensure assets are safeguarded along with ensuring County policies regarding control and disposal are adhered to.

RESPONSE: During the time period of this audit, the Jail has had up to four different people handling fixed assets within the Jail. It is apparent that a uniform process that promotes accountability must be established. Discussions with the Warden and Jail Administrators will be held for an effective solution to the control and disposal of fixed assets.

RECOMMENDATION: Require Keefe to retain all documentation supporting commissary sales in accordance with the term of the contract and have such documentation readily available for auditors in a timely manner.

RESPONSE: Keefe will be informed as to the necessity of records management as it applies to the agreement and for the availability of such documents when requested by the County.



February 21, 2011

Ms. Lori Churilla  
Office of the Controller  
104 Courthouse  
436 Grant Street  
Pittsburgh, PA 15219

Dear Ms. Churilla,

We have reviewed the controllers report. Keefe Commissary Network acknowledges that there were four (4) signed receipts unaccounted for (three (3) of which were for the exact same date range) of the 60 that were requested.

We have taken the appropriate measures to ensure full records compliance in the future and to make all records available in a timely manner.

Respectfully yours,

A handwritten signature in black ink that reads 'Timothy W. Nichols'.

Timothy Nichols  
Regional Vice President  
Keefe Group  
[tnichols@keefegroup.com](mailto:tnichols@keefegroup.com)