



# County of Allegheny

## Office of the Controller

**Keefe Group/Keefe Commissary Network LLC  
Report on Contract Compliance Procedures  
For the Period  
January 1, 2010 through December 31, 2011  
*(Non-Audit Service)***

**March 25, 2013**

**Chelsa Wagner  
Controller**

**104 County Courthouse  
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Pittsburgh, PA 15219  
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**CHELSA WAGNER**  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

104 COURTHOUSE • 436 GRANT STREET  
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March 13, 2013

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, 2010 through December 31, 2011

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, 2010 through December 31, 2011. 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 has not complied 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. The Jail should work with Keefe to resolve this issue. The results of our procedures are included in the attached report.

Warden Harper  
March 13, 2013  
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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

CW/lc

cc: Honorable Charles Martoni, 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. LaToya Warren, Deputy Warden, Allegheny County Jail  
Mr. Eric Sowers, 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, 2010 through December 31, 2011.

### **Background**

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 one additional year, extending the contract period to April 30, 2013.

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 2011 and 2010, net commissary sales totaled \$2,536,210 and \$2,499,874, respectively, and the Jail's commissions on the net commissary sales were \$1,075,353 and \$1,059,946, 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 Within 24 Hours**

Contract #73269 requires commissary credits to be posted to inmate accounts by Keefe within 24 hours of the delivery. Through our interviews with both Keefe and Jail employees, we have determined that credits for missing and damaged items are not always posted to inmate accounts within 24 hours. Most credits for missing and damaged items are applied on Fridays, which is beyond the mandated 24-hour period for those pods which receive deliveries on Tuesdays or Wednesdays. Keefe has not been provided a written waiver of the contractual requirement to post credits to inmate accounts within 24 hours of the delivery. Consequently, Keefe is not in compliance with contract #73269 as it is written with respect to this requirement. Failure to enforce compliance with the commissary services contract #73269 as it is written exposes the Jail to unnecessary risks.

**Recommendations:** The Controller's Office recommends that:

- The Jail provide Keefe with a contract modification or written waiver of the requirement to post credits to inmate accounts within 24 hours of the delivery or require Keefe to post all credits to inmate accounts within 24 hours of the delivery.
- The Jail strengthen its monitoring of compliance with the significant terms and provisions of commissary services contract #73269 to ensure compliance.

## **I. Introduction**

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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 one additional year, extending the contract period to April 30, 2013.

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 2011 and 2010, net commissary sales totaled \$2,536,210 and \$2,499,874, respectively, and the Jail's commissions on the net commissary sales were \$1,075,353 and \$1,059,946, 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 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.

## **I. Introduction**

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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

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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, 2010 through December 31, 2011. Specifically, we:

- Reviewed past contract compliance reports to identify deficiencies associated with the Commissary and the implementation status of any recommendations to correct them.
- Reviewed the minutes of the Jail Oversight Board meetings for the period January 2010 through December 2011.
- 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 December 2012 through January 2013. 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**

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

#### **Credits Not Posted to Inmate Accounts Within 24 Hours**

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When commissary orders are delivered to inmates, the inmates must identify any missing or damaged items and notify the Keefe employee making the delivery so that the amount of the missing or damaged item(s) can be credited to the inmate's account. Contract #73269 requires such credits to be posted to inmate accounts by Keefe within 24 hours of the delivery.

Through our interviews with both Keefe and Jail employees, we have determined that credits for missing and damaged items are not always posted to inmate accounts within 24 hours. Commissary deliveries are made to certain pods on certain days of the week. Deliveries to all pods occur on Tuesdays, Wednesdays, or Thursdays. Most credits for missing and damaged items are applied on Fridays, which is beyond the mandated 24-hour period for those pods which receive deliveries on Tuesdays or Wednesdays. This condition was also identified in our report dated March 3, 2011 on contract compliance procedures for the period January 1, 2008 through December 31, 2009. We were advised that posting any necessary credits to inmate accounts on Fridays results in a more balanced workload for both Keefe and Jail employees, and that this practice was informally agreed upon by Keefe and the Jail. However, Keefe has not been provided a written waiver of the contractual requirement to post credits to inmate accounts within 24 hours of the delivery. Consequently, Keefe is not in compliance with contract #73269 with respect to this requirement. Failure to enforce compliance with the commissary services contract #73269 as it is written exposes the Jail to unnecessary risks.

**Recommendations:** The Controller's Office recommends that:

- The Jail provide Keefe with a contract modification or written waiver of the requirement to post credits to inmate accounts within 24 hours of the delivery, or require Keefe to post all credits to inmate accounts within 24 hours of the delivery.
- The Jail strengthen its monitoring of compliance with the significant terms and provisions of commissary services contract #73269 to ensure compliance.

COUNTY OF



ALLEGHENY

RICH FITZGERALD  
COUNTY EXECUTIVE

To: Chelsa Wagner  
Controller

Cc: Orlando Harper, Warden

From: Monica Long, Deputy Warden of Administration

In response to the contract compliance procedures for the period of January 1, 2010 through December 31, 2011 the following issues were noted;

1. Keefe Commissary credits some inmate accounts on Friday versus the contract stating Keefe will credit all inmate accounts within 24 hours. Please see attached agreement between the Allegheny County Jail and Keefe Commissary address this deficiency.
2. The Allegheny County Jail needs to strengthen its monitoring of compliance with the significant terms and provisions of the commissary contract #73269 to ensure compliance.

The Allegheny County Jail hired a Deputy Warden of Administration on February 11, 2013. In the role, the Deputy Warden responsibility is to monitor and review all contracts. Keefe will undergo a quarterly review and meeting to ensure all perimeters of the contract are being satisfied

Please contact me with any additional comments or concerns at 412-350-2025.

Sincerely,

Monica Long, MS  
Deputy Warden of Administration

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PHONE (412) 350-2000 • (412) 350-2032  
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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  
**ALLEGHENY COUNTY JAIL**  
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