KEEFE BRIBES COMMISSIONER

2 in Florida Acknowledge Kickbacks

New York Times Regional Newspapers

JACKSONVILLE, Fla., July 5 — The former head of the Florida Department of Corrections and a friend who was also a prison official agreed on Wednesday to plead guilty to charges that they accepted more than $130,000 in kickbacks from a subcontractor.

The former state prisons chief, James Crosby, was dismissed in February by Gov. Jeb Bush amid a continuing federal and state investigation into the Department of Corrections that has resulted in more than 20 arrests.

In August 2005, Mr. Crosby's close friend Allen Clark resigned as the director of the agency's Panhandle prisons after Mr. Crosby learned that Mr. Clark had been implicated in the investigation.

In their plea agreements, Mr. Crosby, 53, and Mr. Clark, 40, admitted to "corruptly accepting" kickbacks from a "Gainesville company" that held a subcontract with the Keefe Commissary Network, a St. Louis company.

Keefe had a contract with the department to take over the operation of prison stores that sell items to inmates and their families.

Last month, federal investigators raided American Institutional Services, a subcontractor that collected money for Keefe. The Department of Corrections has banned the company from any future business with the agency.

Neither lawyers for Keefe and American Institutional Services nor company officials responded on Wednesday to messages seeking comment.

Mr. Crosby's salary at the department was $124,000 a year, and Mr. Clark made $94,000 as director of the agency's Region I. Both men could face up to 10 years in prison and $250,000 in fines when they are sentenced, which is expected within 90 days. They have also agreed to repay the $130,000.

The plea agreements offer an unusually detailed look at how a bribery scheme operates.

In 2003, the agreements state, the Department of Corrections decided to hire the Keefe Commissary Network to run the prison stores. Keefe's three-year contract called for it to pay the department $20 million a year.

In 2004, Mr. Crosby and Mr. Clark introduced the unnamed conspirator to Keefe representatives with the understanding that if Keefe hired the conspirator, that company "would kick back to Clark and Crosby a portion of the proceeds" of its contract with Keefe.

The subcontractor was expected to earn about $1.5 million a year collecting cash from the stores, with 40 percent going to Mr. Clark and Mr. Crosby.

From November 2004 through August 2005, Mr. Clark received monthly cash payments of $1,000 to $12,000 that he split with Mr. Crosby. As the investigation continued last year, Mr. Crosby asked the conspirator to hold on to his share of the money.

When Mr. Clark resigned, Mr. Crosby told Mr. Clark to keep all of the kickback, according to the plea agreements, with the two men receiving a total of about $130,000.

dry, matter-of-fact style goes toward his credibility. (No one could manufacture this stuff.)

Certainly, Monaghan's experience is not typical, so if you're looking for an all-around survival guide to prison, this is not your book. If you're looking for a guide to surviving adversity, however, it comes closer to the mark. And if there is a lesson for the rest of us in Monaghan's tale, it is that anyone, no matter how bleak his situation, can benefit from keeping faith in his cause. Whether that cause is freedom, or mere survival.

Florida DOC and Keefe Gouge Prisoners on Commissary Sales

by David M. Reutter

While the economic downturn has caused the price of goods and commodities to decrease in the free world, the cost of items in Florida's prison canteens has skyrocketed under a new contract.

Florida law requires that items sold in prison canteens "shall be priced comparatively with like items for retail sale at fair market prices." That provision was enacted in 1996, along with another directive that transferred canteen profits from the Inmate Welfare Fund to the state's General Revenue Fund.

In other words, rather than utilizing canteen profits to fund recreation programs, chapel activities and other services for prisoners, those profits now go directly to funding state operations. The result is that activities previously funded by the Inmate Welfare Fund have been eliminated or must rely on donations to operate.

The state's General Revenue Fund netted about $30 million in fiscal year 2007-2008 as a result of the canteen contract between the Florida Department of Corrections (FDOC) and Keefe Commissary Network. Keefe began operating the FDOC's canteens in 2003; the company's current contract began on March 29, 2009 and extends for the next five years.

Keefe's most recent contract with the FDOC included price increases that have caused an outcry by Florida prisoners and their family and friends. The FDOC said it had received more complaints than usual about the higher prices, which went into effect on March 30. "Prices are going up everywhere," said FDOC spokeswoman Gretl Plessinger. "We're sympathetic to them, but it's tough on everyone."

For the FDOC, however, making money off prison canteens is not tough at all, as the state's contract includes guaranteed per diem payments from Keefe. "Regardless of the amount of gross sales, the Contractor will compensate the Department in an amount of $0.96 per day per inmate based on the Department's Average Daily Population," the contract states. With the FDOC's population averaging around 99,000 prisoners daily, this equates to payments of about $2.9 million a month.

In April 2009, the Florida Justice Institute compared the FDOC's canteen prices with the cost of comparable items at CVS Pharmacy stores. The conclusion was that most items "were within an acceptable price range," and that some of "the new canteen prices were actually lower [than] the prices of similar or the same products available at CVS."

The trick to making the contract extremely profitable for Keefe was to raise the prices for the most commonly purchased canteen items. For example, a plain #10 white envelope costs $.15, which equates to $15.00 per 100 envelopes.

Candy bars jumped from $.66 to $.89 each. A 12 oz. can of Coke went from $.57 to $.89. In some cases, Keefe sells individual items that are clearly marked "This unit is not labeled for individual sale," at inflated prices. Coffee-mate creamer, Pop-Tarts, Quaker Oatmeal and cereal bars are several examples of such individual-sale items. One of the largest price increases was for honey buns. A chocolate variety went from $.61 to $1.49 each.

Canteen profits have also been enhanced by reducing the number of entrée items sold. Rather than having 21 items available, FDOC canteens now carry only eight. The 10 meat items were reduced to three. "Filler" items like macaroni and cheese and rice and beans were eliminated, forcing prisoners to buy 3 oz. Ramen Noodle Soups at $.45 each, up from $.26.

While such price increases are small, they are generally higher than comparable prices in the free world where there is competition among vendors. And with a prison population of 99,000, even small price increases result in large profits for Keefe. Further, higher canteen prices are a burden on prisoners' families, as more of the money that family members send their incarcerated loved ones goes into Keefe's pockets. Florida prisoners have very few legal means of earning an income while imprisoned.

Absent intervention or corrective action, Florida prisoners can expect an annual price increase of 10% under the FDOC's canteen contract. This is a far cry from the nation's annual inflation rate, which is under 2%. The only restraint on the cost of prison canteen items is what the FDOC determines to be "fair market prices," a term that is not defined in the contract and in any event appears to lack an enforcement mechanism. Of course, since the state receives a flat per-diem payment from Keefe, prison officials have no incentive to ensure reasonable canteen prices.

This follows a national pattern of price gouging. If prisoners were unable or unwilling to purchase Keefe's monopoly priced goods rather than make money they might lose money. In Florida, it would cost Keefe $2.9 million a month due to the company's contractually-required payments. Until something is done, "fair market prices" for prison canteen items will be those that best inflate Keefe's bottom line.

Sources: *Contract between FDOC and Keefe Commissary Network, Associated Press*