

SUMMARY REPORT

**SECURITY SERVICES CONTRACT AT
HAVERFORD STATE HOSPITAL**

June 2002

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INTRODUCTION AND BACKGROUND

The Department of the Auditor General (the Department) conducts audits of transactions of the Department of Public Welfare (DPW) and of organizations that receive state funds pursuant to the Department's authority and responsibilities under the Fiscal Code, 72 P.S. §§ 402, 403.

In February 2001, the Department received a complaint involving Kelly's Security Services, Inc. Glenmore, PA (KSSI), the private firm that provides security services at the site of Haverford State Hospital, Delaware County, pursuant to a contract with DPW. DPW closed the Hospital in June 1998. The site is located in Haverford Township, near the intersection of Interstate Route I-476 and West Chester Pike. I-476 runs through the western portion of the site. The site consists of about 204 acres and contains 20 buildings, including an administration building, wooded areas and several roads. In anticipation of the future sale of the property by the Commonwealth, Haverford Township has prepared a master plan for its future development for residential and recreational purposes.¹ The master plan includes at least two of the existing buildings in the development proposal.

The Department's Office of Special Investigations (OSI) conducted an investigation which included a review of the records of KSSI and interviews of KSSI officers and employees. The results of the investigation were discussed with KSSI officers on January 23, 2002. The draft summary report, including the recommendations, was given to DPW on April 4, 2002. A response from the DPW Deputy Secretary for Administration was received on April 26, 2002, and has been incorporated, together with our comments, into the final report set forth below. The wording of several recommendations in the final report has been changed to take the response into account.

¹ Final Report, Haverford State Hospital Site Master Plan (June 5, 2001).

SUMMARY

The contractor has failed to comply with contract requirements and responsibilities concerning staffing, equipment, personnel qualifications and training. This has resulted in the contractor receiving payments to which it is not entitled and raises questions concerning the adequacy of security at the site, as well as DPW's management of the contract.

RECOMMENDATIONS

1. There should be a comprehensive review of the HSH security contract. If warranted, it should be terminated and adequate security services at the HSH facility obtained from other sources.
2. The contract with KSSI should be audited by DPW and the Comptroller's Office. Payments to KSSI and supporting documentation, including the records kept by KSSI referred to in the report, should be reviewed as part of the process. The Commonwealth should obtain reimbursement for the overpayments noted in this report, as well as for other payments to which the contractor may not have been entitled.
3. There should be a review by the Comptroller's Office to determine whether the contractor's failure to comply with contract requirements constitutes deficient performance that warrants debarment, suspension or other appropriate action pursuant to the Commonwealth's Contractor Responsibility Program.²
4. DPW's practices, policies and procedures for monitoring and oversight of security contracts should be reviewed to ensure that reports, records and other information required to be submitted by contractors are, in fact, provided to DPW. DPW and other appropriate state agencies should conduct site inspections, including surprise visits, and review contractors' records to ensure that the services are provided and contract requirements met.
5. The process through which DPW awarded, extended and renewed the contract with KSSI should be the subject of a review by management to determine if Commonwealth contracting policies and procedures have been followed. The review should include an analysis of security contract provisions to determine the need for the requirements and to delete conditions and requirements found to be unnecessary.

² Commonwealth of Pennsylvania, Governor's Office, Management Directive No. 215.9 Amended.

Finding – The contractor has failed to comply with contract requirements and responsibilities concerning staffing, equipment, personnel qualifications and training. This has resulted in the contractor receiving payments to which it is not entitled and raises questions concerning the adequacy of security at the site, as well as DPW’s management of the contract.

In 1998, DPW issued an invitation for bid proposals to provide unarmed security guard services at the vacated Haverford State Hospital (HSH) complex. The purpose was to contract “for security services to ensure that no person(s) and/or vehicle(s) enter onto the property nor into any of the structures, all of which are unoccupied, without the authorization of [DPW].”

The contract (No. 402537) was awarded to KSSI in October 1998. The effective date of the contract was January 1, 1999. The period of the original contract was for 18 months. It was renewed in June 2000 on a month-to-month basis, subject to the terms and conditions of the original contract. According to KSSI officials, the original agreement was made into a yearly contract in October 2000 and was extended until September 30, 2002. The contract is administered by DPW’s staff at the Norristown State Hospital (NSH).³

The contract contains requirements for the contractor relating to hours, personnel qualifications, training, staffing of shifts, vehicles and equipment. The contract also sets unit prices for hours of service of security guards and vehicles. Based on information obtained from KSSI, DPW has paid the firm approximately \$575,000 for the services through June 2001.

The investigation found substantial evidence that KSSI has failed to comply with many of the contract’s terms and conditions and that DPW has failed to manage and oversee the contract:

1. Pre-employment investigations

The contract contains the following requirements:

A comprehensive pre-employment investigation, including a PA State Police record search, must be completed on each individual selected for a guard position at both locations.⁴ The investigation will determine suitability for employment via qualification, loyalty, clear police record, no record of drugs, personal habits and integrity. The DPW shall receive and review at least a local police report of investigation prior to the individual’s employment. The DPW can refuse any contract employee at these sites.

³ The investigation did not include a review of the process and procedures used to award, extend or renew the contract.

⁴ There are two vehicle entrances at HSH.

KSSI failed to conduct pre-employment investigations for any of the persons hired to serve as guards at HSH. The owner of KSSI told OSI that background checks were not done on security officers. She said the reason was because it took too long to receive responses. She also said that police background checks could not be done without first hiring the individual.⁵ KSSI's owner said she was unaware of the contract requirement that DPW receive and review police reports of investigation prior to the individual's employment and that KSSI had not complied with that requirement. She also said that DPW had never asked KSSI for pre-employment investigation reports.

According to one KSSI employee, he went to KSSI's office in response to a newspaper advertisement in the morning and filled out an application. He was then asked by a KSSI representative if he was available to work that night. He began working as a security officer at HSH that evening.

2. Physical examinations

The contract contains the following requirements:

Contractor will insure that each selected individual has a current physical examination, and is free from recurring illness, communicable disease, physical defects and hearing impairments that would prevent them from performing their tasks. Medical reports shall be made available to the DPW for review.

Several persons employed by KSSI as security guards at Haverford State Hospital who were interviewed by OSI said they were not required to obtain a physical examination as part of their employment with KSSI. The owner of KSSI told OSI that KSSI had no paperwork regarding physical examinations of employees and that DPW had never questioned KSSI concerning the physical examination requirement or KSSI's compliance with it.

3. Staffing requirements

a. Supervisors on the first weekday shift

The contract contains requirements that there be three shifts each day, 24 hours per day, seven days a week. The staffing requirement for the first shift is one supervisor and one guard; for the second and third shifts, two guards each; for Saturdays and Sundays, two guards for all three shifts. The contract required the guards to "patrol on foot or by vehicle in or around the buildings, checking for fire, safety hazards, security violations" according to a schedule.

⁵ OSI is not aware of any such requirement under Pennsylvania law.

Based on OSI's review of KSSI's records, including sign-in sheets, daily activity reports, time sheets and logs for the period January 1, 1999, through April 22, 2001, it appears that KSSI did not have a supervisor on duty as part of the first shift (8:00 a.m. to 4:00 p.m.) on every weekday during the period in violation of the contract. On many days, two guards were on duty during the first shift, instead of the required one guard and one supervisor. KSSI officials told OSI that supervisors worked on that shift. However, the records did not support the assertion and KSSI officials did not provide OSI with a list of supervisors who worked on the first shift during the period under review. According to a KSSI official, the requirement that a supervisory officer be one of the officers on the first shift was not waived by DPW.

In addition to violating the requirement, KSSI also appears to have overcharged DPW for the services: KSSI billed DPW at the supervisor's rate for one of the individuals working the first shift, as provided in the contract. In fact, the person who worked in that position on the shift was not a supervisor on about 345 days out of the 601 weekdays in the period, or about 57 percent of the time. Based on a calculation of the hourly rates for supervisors and security officers and the total number of hours in the period, KSSI appears to have overcharged DPW approximately \$4,855 as a result of the frequent failure to have a supervisory security officer on the first shift.

b. Monitoring of second and third shifts by supervisors

The contract contains a requirement that "the contractor shall ensure that the second shift (4:00 p.m. to midnight) and third shift (midnight to 8:00 a.m.) are monitored at least two (2) times per shift by an outside shift supervisor. The contractor's time log will indicate the time of the outside supervisory reviews." The evidence suggests that KSSI failed to comply with this contract requirement: Several former KSSI security officers told OSI that there was no monitoring. KSSI had no logs or other records to document that the monitoring had taken place.

c. Failure to have the required number of security officers on duty

A review by OSI of KSSI's sign-in sheets for the period (January 1, 1999, through April 22, 2001) disclosed that there were approximately 33 days when KSSI failed to have the required number of security officers (two per shift) on duty. This contract violation raises questions about whether one of the basic security requirements of the contract is being met. There are also other discrepancies on some of the sign-in sheets reviewed by OSI, such as backdating of the days a security officer was on duty.

According to the contract, KSSI is required to furnish DPW with "a detailed summary of hours worked each week and copies of the time sheets" in support of the invoices submitted to obtain contract payments. OSI reviewed a very small number, approximately 18, of KSSI's "security weekly time sheets" (SWTS) that were submitted to DPW in support of invoices. A comparison of the SWTS with the KSSI sign-in sheets for security personnel at HSH disclosed that the SWTS showed six security officers on duty at HSH on three days (January 21, February 22 and May 1, 1999), while

the time sheets for those dates contained signatures of only five security officers. While, admittedly this is a small sample, it suggests that the documentation submitted to DPW by KSSI to support actual hours worked may contain false and inaccurate entries concerning the number of security officers on duty at HSH.

4. Vehicles

The contract requires that security vehicles “shall be 4x4 with special equipment to include two-way radio base station communications with a minimum of one (1) cellular telephone, spotlight . . . first aid kit, fire extinguisher, logo, etc.” In KSSI’s bid proposal, the vendor agreed to provide two vehicles per shift at a charge of \$497 per week.

In interviews with OSI, former KSSI security guards at HSH made the following comments concerning the KSSI vehicles used at the site:

- For three to four months in later 2000 and early 2001, only one vehicle was used. The other vehicle could not be moved due to mechanical problems.
- The vehicles were generally in very poor condition and did not have equipment required by the contract.
- Security officers often used their own personal vehicles to provide security services at HSH but were not reimbursed by KSSI for mileage. According to some of the former officers, KSSI occasionally reimbursed security officers for gasoline purchases when they used their personal vehicles to perform security patrols at HSH.
- For several weeks during the period under review, both KSSI vehicles assigned to HSH were out of service.
- At times, the KSSI vehicles were driven with expired PA state inspection stickers and registrations. One of the vehicles had tires so worn that metal showed through them.
- For approximately the first six months of the contract, two-way radios in KSSI vehicles did not operate properly. For an unspecified period, the vehicles did not have dome lights.
- At times, KSSI vehicles lacked working heaters and headlights and exhaust fumes leaked into the vehicles.
- For appearances, a KSSI vehicle that could not be operated was placed periodically at one of the entrances to the complex.

- When security officers complained to the KSSI owner or the general manager about the vehicles, very little corrective action was taken. The KSSI owner blamed the security officers for abusing the vehicles.
- In the opinion of one former KSSI security officer, the KSSI vehicles belonged “in the junk yard.” He estimated that he spent 80 to 90 percent of his time at KSSI doing repair work on the vehicles, including such work as moving a radiator from one vehicle to another so that the latter had a functioning heater.

The owner of a garage to which KSSI vehicles were taken for repairs told OSI that KSSI vehicles used at HSH and other locations were old and constantly in need of repairs. He attributed the condition of the vehicles, in part, to their being driven for long periods at low speeds or remaining stationary with the motor running. He also said that KSSI officials told him that KSSI employees used the vehicles to chase animals on the HSH property. He confirmed that it often took several days to a couple of weeks before he was able to repair an inoperable KSSI vehicle, during which time it remained parked at HSH or at the garage.

OSI’s review of KSSI’s daily vehicle logs for the period January 1, 1999, through April 22, 2001, showed that there were 277 days during the period on which one of the KSSI vehicles was non-operational and 51 days on which both KSSI vehicles were non-operational. The review also disclosed that security officers used privately-owned vehicles for patrols on 246 days.

OSI reviewed KSSI’s daily activity reports. Entries on the reports were made by security officers on each shift. The review found numerous entries and comments relating to problems with KSSI’s vehicles, e.g.:

- “Car stalled . . . need[s] repair work again ASAP before it breaks down” (1/20/99);
- “[Vehicle] has problems with fumes in passenger area” (4/25/99);
- “Eagle [one of the vehicles] died . . . may it rest in peace.” (5/17/99);
- “Personal vehicle utilized due to continuing lack of operational company vehicle” (4/2/00);
- “SO [security officer] walked off the site because of no running vehicles” (4/7/00);
- “Both vehicles . . . not working” (5/2, 5/3/00);

- “Is there anything that works on this site?” (5/15/00);
- “The Grand Wagoneer is acting up making very loud noise and is going on its own . . . I could have killed or hurt myself” (6/23/00);
- “Couldn’t do rounds because of vehicles not running correctly” (9/16/00);
- “Will not [drive] vehicle. Unsafe until they’re repaired.” (11/21/00);
- “Vehicle . . . could be dangerous if put in gear” (2/24/01).

There were also approximately 15 entries in the daily activity reports concerning the lack of equipment in the vehicles and past due vehicle registrations and inspections.

When questioned about the vehicles, KSSI’s owner and its general manager said that employees used personal vehicles while KSSI vehicles were being serviced; a third KSSI vehicle was available for emergencies; KSSI vehicles always had proper inspections and registrations; and the vehicles were in “good” condition.

The statements of KSSI’s owner and its general manager are contradicted by the record entries and statements of former KSSI employees. Based on OSI’s review of KSSI’s records showing that the vehicles were unavailable at certain times, and taking into account KSSI’s charges to DPW of \$497 per week for two security vehicles, OSI concluded that DPW was improperly charged approximately \$13,454 during the period under review. Additionally, the frequent lack of at least one of the vehicles and their questionable condition indicate that security at HSH has been grossly inadequate.

5. The electronic wand system

The contract contained a requirement that the contractor “provide and maintain” an electronic wand system “in strategic locations throughout the grounds” The purpose of the system is to record the times that security officers check various locations throughout the HSH complex. The “wand” is a small box carried by the security officers. There are computer chips attached to doors or other structures at 20 locations at HSH. The security officer presses the wand box against the chip at each location to record the time the officer gets to each location during rounds. The time, date and location are recorded in the box and then downloaded on a computer. A report is then printed out.

In interviews, several former KSSI security guards told OSI that the electronic wand system did not operate regularly. Two former security officers said that prior to September 2001, most of the chips did not function and that the wand box was frequently taken off the premises for days at a time by one of the supervisors. According to the former officers, the wand was taken to be recharged every week on Monday and brought back on Thursday; the wand could not be charged at HSH because there was no electrical power at the site.

OSI's review of KSSI's records noted recurring record entries that the wand box was unavailable. The records also disclosed that there were approximately 324 days for which there were no records of wand hits, i.e., the record of the wand touching a particular chip.

The electronic wand system records are the best means to verify that the HSH site was actually patrolled as required by the contract. However, the system was not used during a substantial portion of the time under review and there is no evidence that DPW reviewed or attempted to review whatever records were available.

When questioned by OSI concerning the use of the system, the owner and the general manager of KSSI said that chips needed to be changed and the wand needed to be reprogrammed, a process that took some time. They said that KSSI has only one wand box and that checks by security officers were documented manually when the wand was not working. KSSI had records of manual security checks made at the 20 locations included as part of the electronic security system. The KSSI general manager said that DPW was informed of the problems with the electronic wand system and did not have any complaints.

6. Training

The contract contains requirements that all personnel are to be "trained in police activities." Specifically they are required, at a minimum, to be certified pursuant to Act 235 and have formal training in seven specific security categories and in fire safety.

The Lethal Weapons Training Act (also know as Act 235)⁶ provides for education, training and certification of private detectives, investigators, watchmen, security guards and patrolmen, privately employed within the Commonwealth, who carry and use lethal weapons, including firearms, as an incidence of their employment. Act 235 requires all such privately employed persons to attend an education and training program established and administered by the Commissioner of the Pennsylvania State Police (PSP) and obtain a certificate of qualifications from the PSP as a prerequisite for enrollment in an approved training program.

The seven security categories in the contract are (1) legal aspects of security work, (2) communications procedures and devices, (3) crime prevention, (4) physical restraints and search procedures, (5) investigation techniques, (6) logs and reports, and (7) bomb threat procedures. The contract also requires that the contractor submit documentation certifying that each employee has the specified security and fire safety training and the Act 235 qualifications.

⁶ 22 P.S. § 41 et seq.

Several former KSSI security officers interviewed by OSI said they were not Act 235-certified and never received formal training while employed by KSSI. At least one, and perhaps more, KSSI security officers were Act 235-certified and may have received other police, security and fire training prior to being employed by KSSI. However, KSSI provided OSI with no records to document or verify that its security officers had received the training required by the contract, either in programs offered through KSSI, or at any time prior to the officer's employment at KSSI.

According to KSSI's owner and its general manager, KSSI security officers are not required to carry hand guns and therefore do not require Act 235 training. She also said DPW is aware of the lack of Act 235 training/certification and has never questioned it.

In response to a question by OSI concerning fire safety training for KSSI security officers, the owner of KSSI said the officers were not trained. She said, "if it's something they can handle, then they use the fire extinguisher. If it's a fire in a trash can, then they know how to throw a glass of cold water on the fire." She also said that when there is a fire, the security officers should call the police. She stated that DPW never requested any information regarding fire training for KSSI employees.

According to KSSI officials, DPW staff has never asked to review KSSI records, including those related to personnel qualifications, staffing, vehicles, the electronic security system and training, and there has never been a meeting with DPW to discuss performance and/or security concerning HSH.⁷

⁷ KSSI officials complained to OSI about delays in obtaining payments from DPW for services at HSH pursuant to the contract.

CONCLUSIONS AND RECOMMENDATIONS

Based on the interviews and the review of KSSI's records, it appears that KSSI has failed to comply with a significant number of contract requirements. The seriousness, extent and duration of the failures indicate that the HSH site lacks the appropriate level of security and that the Commonwealth is not obtaining services it is paying for under the contract.

It also appears that DPW has failed to monitor the contractor's performance of the contract. This failure, coupled with the contractor's glaring deficiencies, raises questions concerning the contracting process itself, including the basis for the renewal and extension of the contract, as well as the award of the original contract.

It is recommended that:

1. There should be a comprehensive review of the HSH security contract. If warranted, it should be terminated and adequate security services at the HSH facility be obtained from other sources.
2. The contract with KSSI should be audited by DPW and the Comptroller's Office. Payments to KSSI and supporting documentation, including the records kept by KSSI referred to in this report, should be reviewed as part of the process. The Commonwealth should obtain reimbursement for the overpayments noted in this report, as well as for other payments to which the contractor may not have been entitled.
3. There should be a review by the Comptroller's Office to determine whether the contractor's failure to comply with contract requirements constitutes deficient performance that warrants debarment, suspension or other appropriate action pursuant to the Commonwealth's Contractor Responsibility Program.⁸
4. DPW's practices, policies and procedures for monitoring and oversight of security contracts should be reviewed to ensure that reports, records and other information required to be submitted by contractors are, in fact, provided to DPW. DPW and other appropriate state agencies should conduct site inspections, including surprise visits, and review contractors' records to ensure that the services are provided and contract requirements met.
5. The process through which DPW awarded, extended and renewed the contract with KSSI should be the subject of a review by management to determine if Commonwealth contracting policies and procedures have been followed. The review should include an analysis of security contract provisions to determine the need for the requirements and to delete conditions and requirements found to be unnecessary.

⁸ Commonwealth of Pennsylvania, Governor's Office, Management Directive No. 215.9 Amended.

THE DEPARTMENT OF PUBLIC WELFARE'S RESPONSE



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
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APR 26 2002

Michael Stauffer
Deputy Secretary for Administration

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Mr. Peter J. Smith, Director
Office of Special Investigations
Department of the Auditor General
327 Finance Building
Harrisburg, Pennsylvania 17120

Dear Mr. Smith:

Thank you for your April 4, 2002, letter to Secretary Feather O. Houstoun in which you transmitted the draft summary report based upon an inquiry concerning irregularities in the performance of a Department of Public Welfare (DPW) security services contract at the former Haverford State Hospital (HSH) site. This matter was forwarded to the Office of Administration (OA) for response. Immediately upon receipt of the report, an OA work group comprised of senior level managers was established to address both the HSH security service contract issues as well as overall DPW policies and procedures for procuring security contracts, including monitoring and oversight. The response developed by the work group is presented below, and I concur with its comments.

Recommendation 1: There should be a comprehensive review of the HSH security contract. If warranted, it should be terminated and adequate security services at the HSH facility obtained from other sources.

The OA work group is currently in the process of conducting an extensive review of the contract requirements and contractor compliance responsibilities of the HSH security contract concerning staffing, equipment, personnel qualifications, and training. Upon finalization of this review, modifications to the existing contract or contract termination, if warranted, may occur.

Recommendation 2: The contract with KSSI [Kelly Security Services, Inc.] should be audited. The Commonwealth should obtain reimbursement for the overpayments noted in this report, as well as for other payments to which the contractor may not have been entitled.

Audit staff from the Public Health and Human Services (PHHS) Office of the Comptroller, Program Audit Division, have notified the DPW of its intent to begin an examination of the billings from KSSI. The auditors plan to visit Norristown State Hospital (NSH) the week of April 22, 2002, in order to obtain the documents necessary for the audit engagement. All verified overpayments noted in the report will be recovered by the DPW.

Recommendation 3: There should be a review by the Comptroller's Office to determine whether the contractor's failure to comply with contract requirements constitutes deficient performance that warrants debarment, suspension or other appropriate action pursuant to the Commonwealth's Contractor Responsibility Program.²

The outcome derived from the PHS Office of the Comptroller's examination of billings and the OA comprehensive review of the contractor's compliance responsibilities will serve as the basis for determining whether recourse pursuant to the Commonwealth's Contractor Responsibility Program is warranted.

Recommendation 4: DPW's practices, policies and procedures for monitoring and oversight of security contracts should be reviewed to ensure that reports, records and other information required to be submitted by contractors are, in fact, provided to DPW. DPW and other appropriate state agencies should conduct site inspections, including surprise visits, and review contractors' records to ensure that the services are provided and contract requirements met.

The OA work group will address overall DPW practices, policies, and procedures for monitoring and oversight of security contracts. New contract monitoring guidelines, including security contracts, have been distributed throughout the DPW and are contained in the Procurement Manual. The remaining issues presented in the report are included in the OA workgroup review.

Specific to the monitoring of the KSSI security contract and starting in November 2001, NSH personnel initiated a checklist procedure whereby the NSH security supervisor, security manager, or safety manager would make unannounced visits to the former HSH site three times per month (once on each shift). The checklist covers what is considered the essential elements of maintaining security at these locations. The checklist includes observation of the KSSI staff making rounds; verifying the number of KSSI security staff present; verifying the number of KSSI security staff present for duty; determining if one of the KSSI staff was a supervisor on day shift duty; verifying that security staff were in uniform; and determining if the grounds appeared secure. If any of these areas were found to be deficient, the KSSI management was contacted for corrective action.

During the later part of calendar year 1999 and into 2000, which appears to be the period under review in the Department of the Auditor General's (AG) inquiry report, NSH staff monitored the security services through periodic visits. The visits involved inspection of the site to observe the presence of security staff on duty. Unfortunately, there were no formal records maintained for these visits. However, problems that were observed were communicated to the contractor, KSSI, and resolution was achieved.

²Commonwealth of Pennsylvania, Governor's Office, Management Directive No. 215.9 Amended.

NSH staff observed that two vehicles were present at the former HSH site, and knew that KSSI staff were using their own vehicles because the contractor's vehicles did not have a functioning heater and it was winter at the time. The contractor vehicle problems were not pursued, as the KSSI security staff's own vehicles were being used to make rounds and providing the essential service needed. NSH personnel will pursue vehicle issues more aggressively on future monitoring visits. The site inspection checklist has already been modified to address vehicle issues noted in the AG inquiry report.

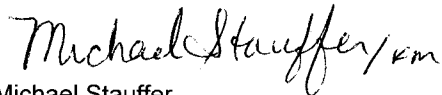
Relative to the monitoring of financial records, NSH accounting staff produced copies of vendor invoices with signed supporting documentation. All records of hours worked were tabulated and verified against employee work schedules provided by the contractor prior to processing the invoices for payment. Invoices reviewed as part of a sample taken by the NSH financial manager all appeared to be in order and without discrepancies.

Recommendation 5: The process through which DPW awarded, extended and renewed the contract with KSSI should be subject of a review, including an audit or investigation to determine if Commonwealth contracting policies and procedures have been followed. The review should include an analysis of security contract provisions to determine the need for the requirements and to delete conditions and requirements found to be unnecessary.

The OA work group recently reviewed the KSSI contract process with staff from the Office of Mental Health and Substance Abuse Services. Based on this review, the process through which the DPW awarded, extended, and renewed the KSSI contract was in compliance with statewide procurement regulations. This work group is also striving to formulate standard security contract language that will enhance agency monitoring and accountability capabilities.

Thank you for the opportunity to respond to this draft summary report. Please contact Richard J. Polek, Audit Resolution Section, at 787-6289 if you have any questions on this response.

Sincerely,



Michael Stauffer

cc: Mr. Eckert

DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS

The prompt action taken in response to the draft report on the part of DPW, the Office of Administration (OA) and the Comptroller's Office is encouraging. However, we cannot comment in detail on the reviews mentioned in the response because they have not been provided to us.

We request that the results of the reviews of contract requirements (Recommendation No. 1), billings and possible overpayments (Recommendation Nos. 2 and 3) and the contract process (Recommendation No. 5) be provided to the Department of the Auditor General as soon as possible so that they will be available for consideration in connection with future audits of DPW and NSH.

It is also requested that we be given copies of the written checklist procedures for monitoring the KSSI security contract which, according to the response, were initiated in November 2001. The policy of making unannounced visits is appropriate and long overdue. The policy should also include unannounced visits on weekends.

In regard to the review of vendor invoices and supporting documentation conducted by NSH staff mentioned in the response, we question the documentation submitted to NSH by the contractor. As discussed on pp. 5-6 of the report, there were major discrepancies between what was submitted in support of the contractor's invoices and what was shown in the contractor's own records of sign-in sheets, daily activity reports, timesheets and logs for a period of over 14 months, as well as the statements of KSSI's employees. We have offered to provide assistance to DPW audit staff in this endeavor and to make available to them the records we obtained from KSSI during the investigation. To date, we have received no response to the offer.

REPORT DISTRIBUTION LIST

Copies of this report have been initially distributed to:

The Honorable Feather O. Houston, Secretary
Michael Stauffer, Deputy Secretary for Administration
Department of Public Welfare

The Honorable Fritz Bittenbender
Secretary of Administration
Governor's Office of Administration

Harvey C. Eckert
Deputy Secretary for Comptroller Operations
Office of the Budget

and

John Smolock
Acting Comptroller
Public Health and Human Services

Copies of the report have also been sent to the Chief Executive Officer of DPW's Norristown State Hospital, the staff of which is responsible for administration of the security contract, officials of Haverford Township and to Kelly's Security Services, Inc., Glenmore, PA, the contractor for the security services.

This report is available via the Internet at <http://www.auditorgen.state.pa.us>. This report is also available from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120.