

 <b>CORRECTIONS CORPORATION OF AMERICA</b>	<b>POLICY TITLE</b>		<b>Inmate/Resident Commissary Operations</b>		
	<b>CHAPTER</b>	<b>2</b>	<b>POLICY NUMBER</b>	<b>2-6</b>	<b>Page 1 of 5</b>
	<b>EFFECTIVE DATE</b>		<b>SUPERSEDES DATE</b>		
<b>JULY 3, 2006</b>		<b>SEPTEMBER 1, 2003</b>			
<i>SIGNATURE ON FILE AT FACILITY SUPPORT CENTER</i> <i>David M. Garfinkle</i> <i>Vice President, Finance</i>  <i>SIGNATURE ON FILE AT FACILITY SUPPORT CENTER</i> <i>Richard P. Seiter</i> <i>Executive Vice President/Chief Corrections Officer</i>  <i>SIGNATURE ON FILE AT FACILITY SUPPORT CENTER</i> <i>G.A. Puryear, IV</i> <i>Executive Vice President/General Counsel</i>	<b>FACILITY NAME</b>	<b>METRO-DAVIDSON COUNTY DETENTION FACILITY</b>			
	<b>FACILITY EFFECTIVE DATE</b>		<b>FACILITY SUPERSEDES DATE</b>		
	<b>AUGUST 24, 2006</b>		<b>FEBRUARY 7, 2005</b>		

**2-6.1 POLICY:**

Each CCA facility will provide a commissary to permit eligible inmates/residents the opportunity to purchase approved items on a regular basis. Employees are not authorized to purchase items from the inmate/resident commissary. Adequate controls and processes will be in place regarding all commissary including contracted vendor transactions. The Warden/Administrator is ultimately responsible for fiscal policy, management and control of the facility though the daily fiscal management of the facility rests with the Business Manager/Manager, Operations Finance.

**2-6.2 AUTHORITY:**

CCA Company Policy

**2-6.3 DEFINITION:**

SKU: It represents an individual item type. Each item has it's own unique SKU number.

**2-6.4 PROCEDURES:**

**PROCEDURES INDEX**

<b>SECTION</b>	<b>SUBJECT</b>
A	Establishment
B	Manual
C	Pricing
D	Funds
E	Physical Inventories
F	Inventory Variance Reporting
G	Review Committee
H	ATF Section

**A. ESTABLISHMENT**

The facility will receive a loan from the Facility Support Center (FSC) to purchase and establish the initial Commissary inventory.

**B. MANUAL**

1. Each facility will be provided with a Commissary Manual that outlines the following minimum procedures:
  - a. Ordering;
  - b. Receiving;

- c. Delivery;
  - d. Returns;
  - e. Equipment;
  - f. Change Requests;
  - g. Inmate/Resident Claims;
  - h. Inmate/Resident Trust Fund Accounting; and
  - i. Inmate/Resident Welfare Fund Accounting.
2. At a minimum, the Commissary Manual will be available in the Commissary and the business office and in any other areas that have operational and/or administrative responsibilities in regards to commissary vendor transactions.

**AT THIS FACILITY, ADDITIONAL COPIES OF THE COMMISSARY MANUAL WILL BE KEPT IN THE FOLLOWING LOCATIONS:**

NONE

C. PRICING

1. The Warden/Administrator and Business Manager/Manager, Operations Finance or Bookkeeper will be responsible for establishing sales prices, unless sales prices are determined by the management contract.
2. A thirty percent (30%) margin will be used to determine prices, unless otherwise approved by the Managing Director, Operations Support & Internal Investigations **or** management contract specifies pricing requirements. In the event pricing is included in the management contract, prices will be determined by either mark-up or margin, as determined by the contract, and all items will be set at the maximum allowed (excluding sales tax).
  - a. Mark-Up
    - i. If the management contract specifies a mark-up, the price is calculated by adding to CCA's invoice cost the product of CCA's invoice cost multiplied by the mark-up percentage.

**EXAMPLE:** If the management contract mandates a 25% mark-up on an item that costs CCA \$5.00, the price is determined by multiplying \$5.00 by 25% (\$1.25) and adding the result to the invoice cost (\$5.00), or  $\$1.25 + \$5.00 = \$6.25$ .
  - b. Margin
    - i. If the management contract specifies a margin, the price is calculated by dividing CCA's invoice cost by (100% minus the margin percentage).

**EXAMPLE:** If the management contract specifies a 25% margin on an item that costs CCA \$5.00, the price is calculated by dividing \$5.00 by (100% minus 25%) or  $\$5.00$  divided by 0.75 = \$6.67. Margin is computed by dividing the profit (where profit equals price minus cost) by the price. In this example, margin is computed by subtracting CCA's invoice cost (\$5.00) from the price (\$6.67) and dividing the result (\$1.67) by the price (\$6.67) or  $\$1.67$  divided by  $\$6.67 = 25.0\%$ .

3. Price Changes
  - a. All new prices must be approved by the Business Manager/Manager, Operations Finance and Warden/Administrator.
  - b. The Commissary Manager will prepare an updated order form anytime a price change occurs.

#### D. FUNDS

1. Funds from Commissary sales will be used to replenish the Commissary inventory.
  - a. All order forms are to be purchased from Commissary funds unless prohibited by the management contract.
  - b. All supplies utilized for basic commissary operation are to be paid from commissary funds unless prohibited by management contract.
2. Profits from the facility Commissary will be used to repay the FSC until the loan is paid in full.
  - a. Once the loan is paid in full, any remaining profits are to be used on inmate/resident welfare expenditures.
3. If interest is earned from Commissary funds it will be used on inmate/resident welfare operations.

#### E. PHYSICAL INVENTORIES

1. The Commissary Manager, with assistance and supervision of the Business Manager/Manager, Operations Finance, will perform a month-end physical inventory of the Commissary.
  - a. The inventory will be taken after all sales for the current month are completed but before sales for the next month begin.
  - b. The physical count forms will be signed and dated by all personnel involved in performing the month-end inventory.
  - c. The physical inventory report will be signed and dated by the Commissary Manager and Business Manager/Manager, Operations Finance.
  - d. The inventory will be valued at the cost of the items, not the selling price.
2. Test counts of five percent (5%) of total SKU's will be performed and documented by someone independent of the commissary function.
  - a. Since test counts are intended to test the accuracy of the month-end inventory results, they will be performed in conjunction with the month-end inventory. The SKUs test counted should vary from month to month.
  - b. The test count documentation (e.g. count forms) will be signed and dated by the individual who performed the test counts.
3. The Warden/Administrator or Business Manager, Manager, Operations Finance will review the month-end inventory report and corresponding documentation (e.g. count sheets and inventory report, to include test count documentation) with the Commissary Manager. The Warden/Administrator or Business Manager/Manager, Operations Finance will provide evidence of their review and approval by signing and dating the inventory documentation.

#### F. INVENTORY VARIANCE REPORTING

1. The Business Manager/Manager, Operations Finance will generate an Inventory Variance Report from the commissary system after the physical inventory counts are entered into the commissary system.
  - a. In the event the commissary system does not generate an Inventory Variance Report, a computerized report must be prepared to detail the variances in quantity and extended cost between perpetual inventory and physical inventory.
2. The Business Manager/Manager, Operations Finance and Commissary Manager will review the variances. All variances greater than .0025% of the current month sales on a "per item" basis will be researched and an explanation provided for the variance. SKU items should not be "netted together" in order to determine whether a significant variance of .0025% or greater exists. The variance explanations should not be limited to dollar (\$) variances only. Sound judgment should be used when reviewing item or each variance to determine the necessity for further research of the cause of the variance.
 

**Example:** *Current Month Commissary Sales=\$180,000. Inventory Variance=\$540.  $\$540/\$180,000=.003$ . .003 is greater than .0025 therefore all variances will be researched and an explanation provided for the variance.*
3. Explanation for variances greater than .0025% will be noted on the Inventory Variance Report.
4. The Business Manager/Manager, Operations Finance will sign and date the completed Inventory Variance Report.
5. Once the Inventory Variance Report is complete and has been signed, the inventory balances will be adjusted in the commissary system by an individual who does not work in the commissary.

G. REVIEW COMMITTEE

The Vice President, Facility Operations will designate a committee to be responsible for periodically reviewing issues and requests for new items, pack/size changes, and price increases associated with the facility commissary operation. A health authority will serve on the committee only to review and approve any non-prescription (over-the-counter) medication that is available to the inmates/residents through the commissary.

H. AT THIS FACILITY, ADDITIONAL CONTRACTUAL PROCEDURES ARE AS FOLLOWS:

NONE

2-6.5 REVIEW:

The Vice President, Finance will review this policy on an annual basis.

2-6.6 APPLICABILITY:

All CCA Facilities (Provided contractual requirements do not mandate otherwise)

2-6.7 APPENDICES:

None

2-6.8 ATTACHMENTS:

None

**2-6.9 REFERENCES:**

Commissary Manual

ACA Standards. The ACA Standards for this facility are:

4-4025/4-ALDF-7D-10/3-JTS-1B-01/3-JCRF-1B-01

4-4031/3-JTS-1B-07

3-JCRF-1B-09

4-4035/3-JTS-1B-11

4-4042/4-ALDF-5C-25/3-JTS-1B-17

3-JCRF-1B-19

4-4379