



**County of Chester  
Office of the Controller  
Internal Audit Department**

**Management Letter  
For the Year Ended  
December 31, 2012**

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*County of Chester*  
*Prison Inmate Fund*  
Management Letter

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A handwritten signature in blue ink that reads "Valentino F. DiGiorgio, III".

Valentino F. DiGiorgio, III, Controller

**To: D. Edward McFadden, Warden, Prison**

**Introduction**

On October 31, 2013, Internal Audit completed an audit of the Prison Inmate Fund (*Inmate*). Christian J. Kriza was the auditor-in-charge and was assisted by one additional auditor. Internal Audit is required by the Pennsylvania County Code to review county offices annually to ensure compliance with policies and procedures and to assess their overall internal control structure. The scope of our audit included a review of the following:

- Cash and Petty Cash
- Accounts Receivable
- Accounts Payable
- Cash Receipts
- Cash Disbursements
- Voided Transactions
- Compliance Test - Escheats

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards* published by the Comptroller of the United States. We have also issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters concurrent with this Management Letter. Disclosures and other information in that Report (also dated October 31, 2013) should be considered in conjunction with this Management Letter.

**Executive Summary**

The management and staff of the *Inmate* are in all material respects, in compliance with policies and procedures imposed by the County of Chester and by the *Inmate*. There were no matters of a significant nature related to internal controls or overall compliance noted during this audit.

Internal Audit did, however, note several matters of a lesser significance involving internal controls. These matters have all been included within this management letter. Based on Internal Audit's testing and observations, it is our opinion that these deficiencies are not the result of negligence or deliberate misconduct, but are instead the consequence of one or more of the following:

- Oversight
- Human error

We want to thank the management and staff of the *Inmate Fund* for their cooperation and assistance during the course of this audit.

Please feel free to contact our office at (610) 344-5906 should you have any questions or concerns.

**COUNTY OF CHESTER**

**PRISON INMATE FUND**

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**Cash and Petty Cash**

Cash is reconciled and reviewed at 100%.

Finding 1: Cash

Client prepared bank reconciliation improperly carried an adjustment on the bank side. This adjustment should have been recorded on the books in order to reconcile to the correct balance. This adjustment remained outstanding from May 2012 through year end.

Finding 2: Cash

*Inmate Management* failed to record a December 2012 deposit on the books until January 2013. This deposit should have been recorded at the time of the bank deposit but remained unrecorded for 3 weeks.

Finding 3: Cash

Petty cash fund on hand exceeded the listed balance.

Recommendation

Internal Audit recommends that *Inmate Management* record adjustments both timely and accurately to ensure proper reconciliation and recordkeeping. *Inmate Management* should also transfer the excess petty cash funds to the County for deposit into the General Fund. The *Inmate's* combined change / petty cash fund balance must always reconcile to the amount recorded on the General Ledger.

Auditee Response

*Prison management concurs with the finding and recommendation.*

**COUNTY OF CHESTER**

**PRISON INMATE FUND**

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**Accounts Receivable**

Accounts Receivable are reconciled and reviewed at 100%.

Finding 4: Accounts Receivable

Client prepared accrued payroll reconciliation was not accurately reconciled and the difference was not properly explained. The error stems from the *Inmate Management* failing to properly record a 2012 adjustment in the proper year, which was recorded in 2013.

Recommendation

Internal Audit recommends that *Inmate Management* record adjustments both timely and accurately to ensure proper reconciliation and recordkeeping.

Auditee Response

*Prison management concurs with the finding and recommendation.*

**Accounts Payable**

Accounts Payable are reconciled and reviewed at 100%.

Finding 5: Accounts Payable

Client prepared year-end balance sheet was incorrectly stated at year end. In addition, the “due to inmate” and “due from inmate” balances were incorrect.

Recommendation

Internal Audit recommends that the balance sheet be revised to reflect correct due to/from inmate balances.

Auditee Response

*Prison management concurs with the finding and recommendation.*

**COUNTY OF CHESTER**

**PRISON INMATE FUND**

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

*For the following areas, transactions are reviewed on a sample basis according to risk. The current year risk assessment is based on prior year audit results:*

**Cash Receipts**

The sample size tested for the year ended 12/31/12 was determined to be 20 out of a population of 31,515 receipts issued during the year.

There were no internal control or procedural weaknesses noted within our sample.

**Cash Disbursements**

The sample size tested for the year ended 12/31/12 was determined to be 20 out of a population of 2,575 checks issued during the year.

**Finding 6: Cash Disbursements**

A sequence of voided checks was not recorded on the books and therefore did not accurately reflect the correct check sequence.

**Recommendation**

Internal Audit recommends that all disbursements, whether void or not, be included on the books to accurately reflect the transactions.

**Auditee Response**

*Prison management concurs with the finding and recommendation.*

**Voided Receipts**

The sample size tested for the year ended 12/31/12 was determined to be 20 out of a population of 117 receipts voided during the year.

**Finding 7: Voided Receipts**

Internal Audit noted that in one (1) instance, a voided receipt was not referenced to its replacement receipts.

**COUNTY OF CHESTER**

**PRISON INMATE FUND**

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**Voided Receipts (continued)**

Recommendation

Internal Audit recommends that all voided receipts reference their replacement, if applicable.

Auditee Response

*Prison management concurs with the finding and recommendation.*

**Voided Disbursements**

The sample size tested for the year ended 12/31/12 was determined to be 10 out of a population of 159 disbursements voided during the year.

There were no internal control or procedural weaknesses noted within our sample.

**Escheats**

The sample size tested for the year ended 12/31/12 was determined to be 20 out of a population of 369 disbursements voided during the year.

Finding 8: Escheats

Internal Audit noted that both escheatment checks sent to the Commonwealth in 2012 did not contain a signature, however, they were subsequently cashed by the bank.

Recommendation

Internal Audit recommends that all disbursements be reviewed and signed by an authorized signer. In the event that the bank cashes and unsigned check, *Inmate Management* should follow up with the bank to prevent future occurrences.

Auditee Response

*Prison management concurs with the finding and recommendation.*

**COUNTY OF CHESTER**

**PRISON INMATE FUND**

**SUMMARY OF EXIT CONFERENCE**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

An exit conference was not warranted for the audit of the Prison Inmate Fund, D. Edward McFadden has accepted the report as presented.