

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



*Management Letter
Chester County Prison Inmate Fund*

For the year ended December 31, 2006

Valentino F. DiGiorgio III

Valentino F. DiGiorgio, III, Controller

To: Warden D. Edward McFadden

Introduction

On January 8, 2008, Internal Audit completed an audit of the *Chester County Prison Inmate Fund (Inmate Fund)* for the year ended December 31, 2006. Robert Pinkos, CIA, was the auditor-in-charge and was assisted by 3 additional auditors. Internal Audit is required by 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 – Escheats

Executive Summary

The management and staff of the *Inmate Fund* are, in all material respects, in compliance with policies and procedures imposed by the County of Chester, by the Commonwealth regarding escheats, and by prison management. Internal Audit noted no matters of a significant nature in the overall internal control structure or in the area of compliance.

Internal Audit did however note minor weaknesses in the overall internal control structure as well as several instances of a lesser significance regarding non-compliance with County and office policies and procedures. These matters are covered within this Management Letter.

Internal Audit would like to thank the management and staff of the Chester County Prison for their time and assistance during the course for this audit. We have provided herein a copy of our “Audit Findings” and “Recommendations” for your review and comment.

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

COUNTY OF CHESTER

CHESTER COUNTY PRISON INMATE FUND

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 1: Cash Rollforward and Balance Sheet

As in prior year audits, Internal Audit could not reconcile the *Inmate Fund's* assets and liabilities. The *Inmate Fund* assets are insufficient to cover the liabilities "due to the inmates" as of 12/31/06. The checking account is short \$2,724.72.

In addition, the cash rollforward for 2006 **does not** agree with the 12/31/06 reconciled bank balance. Internal Audit should be able to take the 12/31/05 reconciled bank balance, add all receipts and disbursements recorded in the *Inmate Fund* for the year (2006), and arrive at the 12/31/06 reconciled bank balance. Internal Audit noted a difference of \$28.00 between the 12/31/06 cash rollforward and the reconciled bank balance.

Recommendation

Internal Audit strongly recommends that the Prison accounting department prepare a cash rollforward and balance sheet each month along with their monthly bank reconciliations. Monthly bank reconciliations are reconciled by using the Bank Account Activity Report from JailView. Since this report is only a list of manual transactions and is not interfaced with the transactions that occur to the Inmates' accounts in JailView, the accounting department cannot rely only on bank reconciliations to verify that all transactions have been recorded properly. The rollforward and balance sheet will supplement and help validate the completeness and accuracy of transactions reflected on the Bank Account Activity Report. In addition, the reports will provide a record of any unlocated differences between assets and liabilities for comparative purposes and analysis. It is further suggested that should the difference identified on the 2006 *audited balance sheet* remain consistent over the next 3 years, that management of the Prison should consider transferring an equivalent sum from the Prison Canteen fund to offset this unresolved deficiency.

Auditee Response

The cash rollforward and bank balance have not agreed for several years by \$2,000 to \$2,800. The number is not exact from month to month, making the reconciliations more difficult. Some of these reconciliations were in fact done for 2006, and all were done for 2005. The results were not always consistent from month to month. Researching the differences is very time-consuming and inefficient, and is an ongoing process.

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FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 2: Bank Reconciliation

Internal Audit noted that numerous stale dated checks were not voided in a timely manner.

Recommendation

Internal Audit recommends that stale checks, checks outstanding for more than 60 days, should be voided in a timely manner, preferably no longer than 90 days after the date the check was issued.

Auditee Response

Since the audit, stale checks have been voided through 6/30/07. We have had new checks printed stating "Void after 180 days" rather than 60 days, since the cashing of stale checks is a recurring nuisance, and ultimately the funds would have to be transferred to the Pennsylvania Dept. of the Treasury after five years if unclaimed.

RECORDKEEPING

Finding 1: Cash Adjustments

Internal Audit noted 4 instances where prior year audit findings dealing with cash adjustments to the bank account and inmates' accounts were not corrected as of 12/31/06.

Recommendation

Internal Audit recommends that the accounting staff take more care to ensure transactions are recorded correctly to both the inmate's account and bank account in a timely manner.

Auditee Response

The 4 prior year adjustments have been made. Two required a cash transfer from the Canteen Fund to reimburse the Inmate Fund for bank fees, and two required that the bank reverse credits given to the Inmate Fund for stale checks. Those two debits are pending action by the bank.

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FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDKEEPING

Finding 2: Canteen / Inmate Bank Transfers

Internal Audit noted the following:

- In the prior year audit, the amount of Inmate canteen orders did not reconcile to the amount actually transferred from the Inmate bank account to the Canteen bank account. The Inmate bank account was overstated by \$352.52. This amount needs to be transferred from the Inmate Fund bank account to the Canteen Fund bank account.
- In 13 instances, the amount of Inmate canteen orders/credits did not reconcile to the amount actually transferred from the Inmate bank account to the Canteen bank account. The Inmate bank account was understated by \$14,356.46 for the year 2006. This amount needs to be transferred from the Canteen Fund bank account to the Inmate Fund bank account.
- The interest earned on the Inmate Fund bank account from March through December 2006 has not been transferred to the Canteen Fund bank account. As of 12/31/06, \$2,858.71 of interest remains in the Inmate Fund bank account and needs to be transferred to the Canteen Fund bank account.

Recommendation

Internal Audit recommends that management make a net transfer of \$11,145.23 from the Canteen Fund bank account to the Inmate Fund bank account in order to correct the errors listed above. Internal Audit also recommends that the accounting staff exercise greater care to ensure that the weekly transfer between bank accounts for canteen orders reconciles to the disbursement reports in JailView for the Inmates' accounts. Preparing monthly cash rollforwards should alert the accounting staff if a difference has occurred between canteen orders and what was actually transferred between bank accounts. The accounting staff should also transfer the interest earned on the Inmate Fund bank account to the Canteen Fund bank account on a monthly basis.

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FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDKEEPING

Finding 2: Canteen / Inmate Bank Transfers (continued)

Auditee Response

Numerous people have been involved in trying to reconstruct why the transfers to the Canteen Fund did not match the canteen transactions in 13 instances. Little or nothing was left as a paper trail for the incorrect January and February files of Canteen credits uploaded into JailView. But it appears that reasonable amounts of cash were transferred to the Canteen Fund even though nothing was done to back out the incorrect credits. For October 13 no payment at all was made for Canteen. Nine instances were credits not taken. The bookkeeping department will be instructed to be more careful in transferring the net of the orders and the credits. For December 18, the credit amount was transferred on 1/26/07 when it was discovered.

The interest earned on the Inmate Fund for March through December 2006, as well as the interest for January through November 2007, was transferred to the Canteen Fund on 12/26/07. The transfer will be made monthly in the future.

Finding 3: Cash Receipts

Internal Audit noted in 1 instance that a deposit was not made within one business day.

Recommendation

Internal Audit recommends that members of the staff take greater care to ensure monies are deposited within one business day of receipt.

Auditee Response

Management concurs with the audit finding and recommendation.

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FOR THE YEAR ENDED DECEMBER 31, 2006

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDKEEPING

Finding 4: Cash Disbursements

Internal Audit noted the following:

- In 7 instances, checks created in JailView were issued out sequence.
- In 2 instances, voided checks were not entered into the JailView computer system. There is no record of these checks in JailView.
- In 1 instance, money was refunded to a discharged inmate before they were charged for IFR.

Recommendation

Internal Audit recommends that the accounting staff exercise greater care when creating checks in JailView to ensure that all checks are created in sequence and all checks are properly entered and voided in the JailView computer system.

Auditee Response

It is not possible to create checks out of numerical sequence in JailView. I have noticed that sometimes checks do not print on the Bank Activity report in strict numeric order within the date; therefore this is a software issue and not something done by the staff.

Checks #20511 and 22974 were not actually checks, but printer test pages, and were duly put into the check stub notebook and the "checks" voided. There are problems sometimes with the printer not interfacing correctly with JailView and that causes prenumbered checks to be unusable, which is what happened in these instances.

An inmate was given a discharge check when he had an IFR balance because at the time of the discharge (his tenth), it looked like his IFR balance was zero. However, I did not discover until August 2007 that cash balances and IFR balances were not being routinely transferred when an inmate was re-committed. The bookkeepers were under the impression that all balances were being brought forward by Records, but this turned out to be not true. Since September we have had to check every committed and every released person for prior balances, and move them to the most current stay. When inmate #40277 was given his check on 1/22/07, his IFR balance for commitment 10 said zero.

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I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECORDKEEPING

Finding 5: Voided Disbursements

Internal Audit noted the following:

- In 9 instances, the signature line of the original check was not defaced.
- In 1 instance, a voided check was not properly marked “void.”
- In 10 instances, a check was voided and a replacement check was issued for the voided check. The replacement check was given the same check number as the original voided check.

Recommendation

Internal Audit recommends that the accounting staff exercise greater care to ensure that all voided checks are marked void and the signature line is defaced. It is also recommended that a check number is to be used only one time. If a check is voided and replaced, the replacement check should be assigned a new check number. Assigning the same check number to a different disbursement, even if it is a replacement to a voided check, is not a generally accepted accounting practice.

Auditee Response

The bookkeepers will be more careful to properly document checks which are voided.

When a check does not print properly, there is an option in JailView to reprint the check, and this is what makes it appear that a new check was issued with the same number. We will endeavor to void the first check and re-enter the check information instead of trying to reprint.

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SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2006

Management of the Chester County Prison waived the option for an exit conference and has chosen to accept the report as presented.