



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

**Audit Report
For the Years Ended
December 31, 2016 and 2015**

County of Chester
Prison Canteen Fund
Annual Financial Statement
Audit

Norman MacQueen, Controller

COUNTY OF CHESTER
PRISON CANTEEN FUND
ANNUAL FINANCIAL STATEMENT AUDIT
AS OF DECEMBER 31, 2016 and 2015

Warden D. Edward McFadden
Chester County Prison
501 Wawaset Road
West Chester, PA 19382

COUNTY OF CHESTER
PRISON CANTEEN FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

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COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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NORMAN MACQUEEN
Controller

Internal Auditor's Report

D. Edward McFadden, Warden
Chester County Prison
501 Wawaset Road
West Chester, Pennsylvania 19382

Report on the Financial Statements

We have audited the accompanying financial statements of Prison Canteen Fund (*Canteen*), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2016 and 2015, and the related statements of cash receipts, disbursements and cash balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to annually audit the account of the *Canteen* and to report the results of the audit to the Chester County Commissioners, Chester County Prison Board and to Prison administration.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the *Canteen* as of December 31, 2016 and 2015, and its cash receipts, disbursements and cash balances for the years then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated December 22, 2017, on our evaluation of the *Canteen's* internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, policies and/or procedures. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is to be read in conjunction with this report in considering the results of our audit.



Norman MacQueen
Controller

December 22, 2017

COUNTY OF CHESTER

PRISON CANTEEN FUND

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash - Money Market	\$ 2,389,756	\$ 2,387,368
Cash - Checking	896,929	807,344
Due from Inmate Fund	-	32,895
	<hr/>	<hr/>
Total Assets	<u><u>\$ 3,286,685</u></u>	<u><u>\$ 3,227,607</u></u>
 <u>Liabilities</u>		
Due to County	\$ 565,641	\$ 556,942
Due to Inmate Fund	-	17,842
Restricted Funds - Inmates	2,721,044	2,652,823
	<hr/>	<hr/>
Total Liabilities	<u><u>\$ 3,286,685</u></u>	<u><u>\$ 3,227,607</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

PRISON CANTEEN FUND

**STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS**

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Receipts</u>		
Canteen Sales Commissions	\$ 1,277,439	\$ 1,250,250
Telephone Commissions	294,971	411,282
Miscellaneous Income	47,379	12,065
Interest Income	<u>3,121</u>	<u>7,656</u>
Total Receipts	1,622,910	1,681,253
<u>Disbursements</u>		
County General Fund	1,507,087	1,573,422
Postage	20,050	22,000
Miscellaneous Disbursements	3,342	24,321
Inmate Fund	<u>457</u>	<u>752</u>
Total Disbursements	<u>1,530,936</u>	<u>1,620,495</u>
Cash Increase	91,974	60,758
Cash, Beginning of Year	<u>3,194,712</u>	<u>3,133,954</u>
Cash, End of Year	<u><u>\$ 3,286,686</u></u>	<u><u>\$ 3,194,712</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER

PRISON CANTEEN FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Principles

Background and Reporting Entity

The *Canteen* consists of monies received from commissions on net canteen sales, telephone commissions and miscellaneous income from car washes, visitor photos, postage sales, copies and interest earned on the Inmate Fund which is transferred to the *Canteen* account. The *Canteen* account reimburses the Inmate Fund account for any bank service charges, pays for postage advances, and purchases items beneficial to the general inmate population.

Basis of Accounting

The books and records of the *Canteen* are maintained on the cash basis of accounting. Consequently, receipts are recognized when received rather than when assessed or otherwise due and disbursements are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying statements do not present the assets, liabilities, receipts, disbursements, and cash balance in accordance with generally accepted accounting principles.

Note 2 - Legal Matters

Our audit disclosed no pending litigation involving the *Canteen* or its Warden (D. Edward McFadden) that would affect the financial statements for the year ended December 31, 2016.



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NORMAN MACQUEEN
Controller

December 22, 2017

D. Edward McFadden, Warden
Chester County Prison
501 Wawaset Road
West Chester, Pennsylvania 19382

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

In planning our audit of the financial statements of Prison Canteen Fund (*Canteen*) as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the *Canteen's* internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Canteen's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Canteen's* internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses have been identified.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the *Canteen's* financial statements will not be prevented, or detected and corrected on a timely basis.

As part of obtaining reasonable assurance about whether the *Canteen's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

We noted certain matters that we reported to Prison management in a separate letter dated December 22, 2017, regarding cash disbursements.

This report is intended for the information of the Chester County Commissioners, the Prison management, and the Chester County Prison Board. This report is, however, a matter of public record, and its distribution is not limited.



Norman MacQueen
Controller

COUNTY OF CHESTER
PRISON CANTEEN FUND
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2016

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