



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

**Annual Financial Statement Audit  
For the Years Ended  
December 31, 2018 and 2017**

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*County of Chester*  
*Prison Correctional Center*

Independent Auditor's Report

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Margaret Reif, Controller

**COUNTY OF CHESTER**  
**PRISON CORRECTIONAL CENTER**  
**ANNUAL FINANCIAL STATEMENT AUDIT**  
**AS OF DECEMBER 31, 2018 and 2017**

**D. Edward McFadden, Warden**  
**Prison Correctional Center**  
**503 S. Wawaset Road**  
**West Chester, PA 19382**

**COUNTY OF CHESTER**  
**PRISON CORRECTIONAL CENTER**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**  
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# COUNTY OF CHESTER

## OFFICE OF THE CONTROLLER

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MARGARET REIF  
CONTROLLER

D. Edward McFadden, Warden  
Prison Correctional Center  
503 S. Wawaset Road  
West Chester, PA 19382

### INDEPENDENT AUDITOR'S REPORT

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Prison Correctional Center (*Center*), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2018 and 2017, 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 accounts of the *Center* and to report the results of such audits to the Chester County Commissioners and the Chester County Prison Board.

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 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 *Center* as of December 31, 2018 and 2017, 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 February 14, 2019 on our evaluation of the *Center'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.



Margaret Reif  
Controller

February 14, 2019

COUNTY OF CHESTER

PRISON CORRECTIONAL CENTER

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
Cash - Inmate Welfare Fund	\$ 12,861	\$ 12,342
Cash - Operating	6,521	6,844
Due from County of Chester	-	1,457
	<hr/>	<hr/>
<b>Total Assets</b>	<b><u>\$ 19,382</u></b>	<b><u>\$ 20,643</u></b>
 <b><u>Liabilities</u></b>		
Due to County of Chester	\$ 4,683	\$ 4,378
Due to Inhouse Residents	1,785	2,074
Due to Chester County Prison	-	425
Due to Other	-	276
Due to Inmate Welfare Fund	-	118
Restricted Funds - Inmate Welfare Fund	12,914	13,372
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b><u>\$ 19,382</u></b>	<b><u>\$ 20,643</u></b>

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

COUNTY OF CHESTER

PRISON CORRECTIONAL CENTER

STATEMENTS OF RECEIPTS, DISBURSEMENTS  
AND CASH BALANCES – CASH BASIS  
OPERATING ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b><u>Receipts</u></b>		
Inmate Receipts	\$ 81,000	\$ 111,980
Interest Income	55	8
Other Receipts	-	846
	<hr/>	<hr/>
<b>Total Receipts</b>	81,055	112,834
 <b><u>Disbursements</u></b>		
County of Chester	51,533	57,760
Inmate Allowances	21,084	48,698
Discharged Payouts	4,285	3,094
GPS Monitoring	3,174	2,166
Inmate Welfare Fund	1,277	1,380
Other	25	1,165
	<hr/>	<hr/>
<b>Total Disbursements</b>	81,378	114,263
 <b>Cash Increase (Decrease)</b>	 (323)	 (1,429)
 Cash, Beginning of Year	 <hr/> 6,844	 <hr/> 8,273
<b>Cash, End of Year</b>	 <hr/> <u>\$ 6,521</u>	 <hr/> <u>\$ 6,844</u>

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

COUNTY OF CHESTER

PRISON CORRECTIONAL CENTER

STATEMENTS OF RECEIPTS, DISBURSEMENTS  
AND CASH BALANCES – CASH BASIS  
INMATE WELFARE FUND

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b><u>Receipts</u></b>		
Payroll Reimbursements	\$ 10,721	\$ 31,096
Vending Machine Commission	5,357	5,724
Inmate Activity Fee	1,270	1,380
Picture Money	186	283
Other Receipts	143	750
Interest Income	111	25
	<hr/>	<hr/>
<b>Total Receipts</b>	17,788	39,258
<b><u>Disbursements</u></b>		
Inmate Wages	9,689	31,264
Barber & Hair Supplies	5,334	5,256
Other	1,716	3,232
Electronics	421	137
Appliances & Repairs	109	2,259
	<hr/>	<hr/>
<b>Total Disbursements</b>	17,269	42,148
<b>Cash Increase (Decrease)</b>	519	(2,890)
Cash, Beginning of Year	12,342	15,232
	<hr/>	<hr/>
<b>Cash, End of Year</b>	<u>\$ 12,861</u>	<u>\$ 12,342</u>

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

**COUNTY OF CHESTER**

**PRISON CORRECTIONAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

*Note 1 - Summary of Significant Accounting Principles*

**Background and Reporting Entity**

The Center's checking account serves as an escrow account for all inmates (residents) on work release assignment. As monies are earned, the monies are deposited into individual sub-accounts, which in aggregate comprise the overall checking account balance. Each week administrative fees (i.e. activity fees, room and board fees, fines and costs, urinalysis fees, job fees) are deducted from each resident's account and at month-end these administrative fees are disbursed to the County of Chester, Adult Probation, and/or the Inmate Welfare Fund. Remaining funds may be disbursed to the residents, disbursed to the families of the residents to maintain household expenditures, disbursed to a Global Positioning System (GPS) monitoring service when invoiced, or may remain in escrow. Consequently, any undisbursed funds held in escrow represent a liability of the Center.

**Basis of Accounting**

The books and records of the Center are maintained on the cash basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when incurred. Accordingly, the accompanying statements do not present the assets, liabilities, receipts, disbursements, and undisbursed funds in accordance with generally accepted accounting principles (GAAP).



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February 14, 2019

D. Edward McFadden, Warden  
Prison Correctional Center  
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## INDEPENDENT AUDITOR'S REPORT

### Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

In planning our audit of the financial statements of the Prison Correctional Center (*Center*) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the *Center'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 *Center's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Center'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 *Center's* financial statements will not be prevented, or detected and corrected on a timely basis.

As part of obtaining reasonable assurance about whether the *Center'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*.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters**

We noted certain matters that we reported to management of the *Center* in a separate letter dated February 14, 2019, regarding the Inmate Welfare Fund – Cash Receipts.

This report is intended for the information of the Chester County Commissioners, the Chester County Prison Board and all other political affiliates served by the *Center*. This report is, however, a matter of public record, and its distribution is not limited.

*Margaret Reif*

Margaret Reif  
Controller

**COUNTY OF CHESTER**  
**PRISON CORRECTIONAL CENTER**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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