



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

**Management Letter
For the Year Ended
December 31, 2011**

Prison Inmate Fund

Management Letter

Valentino F. DiGiorgio, III, Controller

To: Warden D. Edward McFadden

Introduction

On December 17, 2012, Internal Audit completed an audit of the *Chester County Prison Inmate Fund (Inmate Fund)* for the year ended December 31, 2011. Christian J. Kriza was the auditor-in-charge and was assisted by one additional auditor. 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

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 General 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 this report (also dated December 17, 2012) should be considered in conjunction with this management letter.

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, and by prison management. There were no matters of a significant nature in the overall internal control structure or in the area of compliance.

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. 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

PRISON INMATE FUND

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

AUTHORIZATION

Finding 1: Cash

In January 2012, the newly appointed Fiscal Coordinator was added to the signature card at the bank. Due to the fact that only one signature is required on all checks, and to ensure appropriate separation of duties, the fiscal coordinator should not be included as a check signer.

Recommendation

Internal Audit recommends that *Prison Management* have the Fiscal Coordinator removed from the signature card as an authorized signer on the account at its earliest convenience.

Auditee Response

Prison management concurs with the finding and recommendation.

RECONCILIATION

Finding 2: Cash

Internal Audit noted the following:

- Client prepared year-end bank reconciliation did not account for the December 2011 bank service charge on the books. Without this adjustment on the books, the year-end cash balance was incorrect.
- Client prepared year-end balance sheet did not balance and difference was not properly explained. In addition, the “due to inmate” balance was incorrect.

COUNTY OF CHESTER

PRISON INMATE FUND

FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

I. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

RECONCILIATION

Finding 2: Cash (continued)

Recommendation

Internal Audit recommends that *Prison Management* update their records to include the above stated adjustment to the December 31, 2011 bank reconciliation. In addition, the balance sheet should also be revised to reflect the correct “due to inmate” balance. Any differences should always be fully documented and explained.

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, 2011

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