



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

**Audit Report
For the Year Ended
December 31, 2011**

Prison Inmate Fund

**Annual Financial Statement
Audit**

Valentino F. DiGiorgio, III, Controller

COUNTY OF CHESTER
CHESTER COUNTY PRISON INMATE FUND
ANNUAL FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2011

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

COUNTY OF CHESTER
CHESTER COUNTY PRISON INMATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

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COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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VALENTINO F. DIGIORGIO, III
Controller

December 17, 2012

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

Internal Audit has audited the accounts of the *Chester County Prison Inmate Fund (Inmate Fund)* for the year ended December 31, 2011, and has compiled the attached Statement of Assets and Liabilities and the related Statement of Cash Receipts, Disbursements, and Cash Balance for the year then ended. It is Internal Audit's responsibility to annually audit the accounts and records of the *Inmate Fund* and to report the results of such audits to the Chester County Prison Board. It is management's responsibility to maintain, update, and reconcile these accounts on a continuous basis.

Our audit was conducted in accordance with generally accepted auditing standards and the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit in a manner which will provide *reasonable assurance* that the accounts are free of material misstatement and that amounts are properly supported and approved.

As described in Note 1, the accompanying financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the statements referred to above are not intended to present the financial position and results of operations of the *Inmate Fund* in conformity with generally accepted accounting principles.

In our opinion, the accounts of the *Inmate Fund* are stated fairly as of December 31, 2011. Consequently, the corresponding financial statements prepared by Internal Audit present fairly, in all material respects, the assets and liabilities of the *Inmate Fund* as of December 31, 2011, and the cash receipts, disbursements, and cash balances for the year then ended.

In accordance with Government Auditing Standards, Internal Audit has also issued a report dated December 17, 2012, on our evaluation of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, policies and/or procedures for the *Inmate Fund*. 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.

Valentino F. DiGiorgio, III
Controller

COUNTY OF CHESTER
PRISON INMATE FUND
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2011

ASSETS

Cash	\$ 112,404
Petty Cash – Inmate Fund	500
Petty Cash – Change Fund	400
Due from Inmates	6,308
Due from Canteen Fund	151
Due from County - Accrued Payroll	<u>5,472</u>
Total Assets	<u>\$ 125,235</u>

LIABILITIES

Due to Inmates	\$ 124,788
Due to County – Petty Cash / Change Fund	400
Due to Commonwealth of PA	33
Due to Canteen Fund	<u>14</u>
Total Liabilities	<u>\$ 125,235</u>

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

COUNTY OF CHESTER

PRISON INMATE FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2011

RECEIPTS:

Mail	\$	485,538
Visits		385,141
Inmate Processing		166,304
Collected Inmate Payroll		144,068
Pre-Work Release Wages		33,473
Transfers from Canteen Fund		19,416
Miscellaneous Chores		971
Other		346
Interest Earned		<u>165</u>
Total Receipts	\$	<u>1,235,422</u>

DISBURSEMENTS:

Canteen Sales	\$	826,085
Disbursements on Behalf of Inmates		194,457
Discharged Inmates		101,763
Inmate Financial Responsibility Payments		78,734
Transfers to Canteen Fund		18,216
Unclaimed Property		8,055
Miscellaneous Expenses		1,769
Bank Fees		<u>75</u>
Total Disbursements	\$	<u>1,229,154</u>

Cash Increase		6,268
Beginning Cash Balance		<u>106,136</u>
Ending Cash Balance	\$	<u>112,404</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF CHESTER

PRISON INMATE FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 - Summary of Significant Accounting Policies

Background and Reporting Entity

The audited financial statements of the *Inmate Fund* include those transactions dealing with funds that belong to the inmates. Each inmate has an account set up for when money is received in his/her name. Receipts stem from money removed from the inmates' possession at the time of commitment (inmate processing), from family and friends during visits and through the mail, from the County of Chester Prison Canteen Fund, and the Correctional Center in the form of payroll for jobs and miscellaneous chores performed by the inmates. Disbursements include payments to the Prison Canteen Fund for inmate purchases from the prison's in-house store (the canteen), payment of account balances to discharged inmates, and payments on behalf of inmate to individuals designated by the inmates. Disbursements on behalf of inmate include checks to family and/or friends, postage, telephone, notary fees, restitution payments, and medical co-pays. Consequently, the cash balance is always representative of the liabilities ultimately due to the inmates upon their discharge.

At December 31, 2011, there were 878 inmates committed to the Prison.

The actual operating expenses of the Prison are paid for by the County of Chester. These costs include salaries and wages of prison employees, related fringe benefits, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statement of Cash Receipts, Disbursements, and Cash Balance.

Basis of Accounting

The books and records of the *Inmate Fund* 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, and disbursements in accordance with generally accepted accounting principles.

COUNTY OF CHESTER

PRISON INMATE FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

Inmate Financial Responsibility Program

The Inmate Financial Responsibility (IFR) Program was adopted by the Chester County Commissioners and made effective in January 1997. It consists of a \$7.00 per day surcharge that is chargeable to the inmates' personal accounts as compensation for room and board. These surcharges are paid to the County of Chester. The IFR program also includes provisions to hold the inmates personally responsible for any damages they have done to prison property or incidental costs incurred by the prison for the inmates. These receipts are retained by the prison. IFR fees are assessed at the time of discharge (the full sentence has been served) and are only assessed on the inmates who have been sentenced and committed for a period of two years or less. IFR fees are not assessed on those being held at the prison for trial. In the Statement of Cash Receipts, Disbursements, and Cash Balance for the year ended December 31, 2011, IFR fees received represent those actual payments to the Chester County Prison, while IFR fees disbursed represent any funds received, in addition to non-cash transactions of transfers from the inmates' accounts.

As of December 31, 2011, \$5,947,404 in IFR debt is owed to the Chester County Prison and subsequently to the County of Chester.

Note 2 - Legal Matters

Our audit disclosed no pending litigation involving the *Inmate Fund* for the year ended December 31, 2011.



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

In planning our audit of the financial statements of the Chester County Prison Inmate Fund (*Prison*) for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the *Prison'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 *Prison's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Prison'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 *Prison's* financial statements will not be prevented, or detected and corrected on a timely basis.

As part of obtaining reasonable assurance about whether the *Prison'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 management of the *Inmate Fund* in a separate letter dated December 17, 2012. They included the following:

- Authorization and reconciliation in regards to cash.

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



Valentino F. DiGiorgio, III
Controller

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