



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
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GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller G.E.
DATE: October 31, 2018
RE: Department of Corrections Inmate Accounts

The Controller's Office has completed a financial audit of the Department of Corrections - Inmate Accounts, County of Lehigh, Pennsylvania for the period January 1, 2017 to December 31, 2017. Our audit report number 18-34 is attached.

The result of our audit is the *Statement of Receipts and Disbursements and Changes in Fund Balance* for the period January 1, 2017 to December 31, 2017 presents fairly, in all material respects, the financial activity arising from cash transactions of the Department of Corrections – Inmate Accounts.

Attachment

AUDITS/DOC - INMATE ACCOUNTS

COUNTY OF LEHIGH, PENNSYLVANIA

DEPARTMENT OF CORRECTIONS

INMATE ACCOUNTS

Financial Audit for the Period January 1, 2017 to December 31, 2017

REPORT NO. 18-34

COUNTY OF LEHIGH, PENNSYLVANIA
DEPARTMENT OF CORRECTIONS
INMATE ACCOUNTS

Table of Contents

	Page(s)
Background	1
OPINION OF GLENN ECKHART, LEHIGH COUNTY CONTROLLER	2-3
Statement of Receipts, Disbursements, and Changes in Fund Balance	4
Notes to Financial Statements	5
Comments on Compliance/Internal Control	6-7
Schedule of Audit Findings and Recommendations	8
Director of Corrections' Response	9

COUNTY OF LEHIGH, PENNSYLVANIA
DEPARTMENT OF CORRECTIONS
INMATE ACCOUNTS

Background

The Department of Corrections maintains separate transactions ledgers for the purpose of tracking inmate cash receipts and cash disbursements. Transactions include cash taken at time of incarceration, deposits made on inmate's behalf, earnings from prison job (rates range from \$.75 to \$3.00 per day), commissary purchases, third-party payments on behalf of the inmates, dormant account fees, medical fees, restitution, and distribution of account balances upon release or transfer to another facility. Inmate accounts management is the responsibility of the Department of Corrections.



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Janine Donate, Director
Department of Corrections
Lehigh County Prison
38 North Fourth Street
Allentown, PA 18101-2400

Report on Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements and Changes in Fund Balance of the Department of Corrections - Inmate Accounts for the period January 1, 2017 to December 31, 2017 (hereinafter referred to as the Schedules) and the related notes to the Schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Schedules based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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 Schedules. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Schedules, whether due to human error or fraud. In making those risk assessments, the auditor considers internal control relevant to management's preparation and fair presentation of the Schedules 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 management's internal control over financial reporting. 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 presentation of the Schedules.

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

Opinion on the Schedules

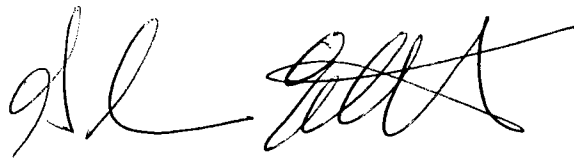
In our opinion, the Schedules referred to above present fairly, in all material respects, the financial activity arising from cash transactions of the Department of Corrections - Inmate Accounts for the period January 1, 2017 to December 31, 2017, in accordance with the U.S. generally accepted accounting principles. However, we noted control deficiencies or other management issues that are described in the accompanying "*Schedule of Audit Findings and Recommendations*".

As discussed in Note 1, the Schedules were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the Schedules present only the Department of Corrections – Inmate Accounts financial activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of the County of Lehigh for the period January 1, 2017 to December 31, 2017 in conformity with the cash receipts and disbursements basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018 on our consideration of Department of Corrections – Inmate Accounts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering management's internal control over financial reporting and compliance.



GLENN ECKHART
County Controller

October 29, 2018
Allentown, Pennsylvania

Audited by: Stephen Berndt

xc: Phillips Armstrong, County Executive
Board of Commissioners
Cindy Egizio, Assistant Director of Corrections
Edward Hozza, Director of Administration
Chris Miller, Jail Accountant
Timothy Reeves, Fiscal Officer

COUNTY OF LEHIGH, PENNSYLVANIA
DEPARTMENT OF CORRECTIONS
INMATE ACCOUNTS

Statement of Receipts, Disbursements, and Changes in Fund Balance
For the Period January 1, 2017 – December 31, 2017
(Note 1)

Receipts:

Cash Receipts	\$ 1,291,380
Inmate Payroll	79,923
Other Receipts (Note 2)	<u>476</u>
Total Receipts	1,371,779

Disbursements:

Commissary Sales	953,964
Disbursements	407,018
Other Disbursements (Note 2)	8,028
Medical Fees	8,535
Restitution	<u>541</u>
Total Disbursements	1,378,086

Excess Receipts Over/(Under) Disbursements	6,307
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Beginning Fund Balance - January 1, 2017	71,009
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Ending Fund Balance – December 31, 2017	\$ 64,702
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COUNTY OF LEHIGH, PENNSYLVANIA
DEPARTMENT OF CORRECTIONS
INMATE ACCOUNTS

Notes to Financial Statements
For the period January 1, 2017 to December 31, 2017

1. **Summary of Significant Accounting Policies**

A. Reporting Entity

The Department of Corrections - Inmate Accounts' financial activity is a part of the County of Lehigh's reporting entity, included in the general fund and is subject to annual financial audit by external auditors. This report is only for internal audit purposes.

B. Basis of Accounting

The accounting records of the County of Lehigh and the Statement of Receipts and disbursements and Changes in Fund Balance are maintained on the cash receipts and disbursements basis of accounting. Under this basis of accounting, revenue is recognized when cash is received and expenditures are recognized when paid. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting.

2. **Other Receipts and Disbursements**

Other receipts and disbursements consist of accounting adjustments for the recognition and disposition of dormant account fees and escheatable inmate funds.



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Janine Donate, Director
Department of Corrections
Lehigh County Prison
38 North Fourth Street
Allentown, PA 18101-2400

We have audited, in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller of the United States; the accompanying Statement of Receipts and Disbursements and Changes in Fund Balance of the Department of Corrections - Inmate Accounts for the period January 1, 2017 to December 31, 2017 (hereafter referred to the Schedules) and have issued our report thereon dated October 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered the Department of Corrections - Inmate Accounts' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of management's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department of Corrections - Inmate Accounts' internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Significant deficiencies or material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Corrections - Inmate Accounts' Schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*. Our audit also included sufficient and appropriate tests for fraud, waste and abuse and we included in our report any material (either quantitatively or qualitatively) instances we noted however, our audit procedures would not necessarily identify all instances of fraud, waste and abuse that may be reportable.

Management's Response to the Audit

We noted certain matters that we reported to management of the Department of Corrections - Inmate Accounts in a separate section titled "*Schedule of Audit Findings and Recommendations*". If provided, the Department of Corrections - Inmate Accounts' response to our audit is included in this report. We did not audit the Department of Corrections - Inmate Accounts' response and, accordingly, we do not express an opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, others within the entity, and Phillips Armstrong, County Executive; Edward Hozza, Director of Administration; Board of Commissioners and Timothy Reeves, Fiscal Officer is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



GLENN ECKHART
County Controller

October 29, 2018
Allentown, PA

COUNTY OF LEHIGH, PENNSYLVANIA
DEPARTMENT OF CORRECTIONS
INMATE ACCOUNTS

Schedule of Audit Findings and Recommendations

1. Gaps Identified in Sequential Cash Receipts

Condition: Using auditing software to test the population of receipts issued from January through December 2017, we identified 12 omitted receipt numbers out of the 20,560 cash receipts transactions that occurred during the audit period. Internal control best practices require cash receipts be sequential and that management review, identify, and investigate gaps in sequential cash receipts.

Recommendation: The management of the Department of Corrections should review cash receipts on a daily basis to ensure they are sequential. Management should examine gaps in the numbering of cash receipts and attempt to determine the root cause of such instances. Sufficient documentation should be maintained regarding the follow-up. We recommend the Jail Accountant review the cash receipt sequence on a daily basis and investigate any discrepancies.

2. Incomplete Cash Receipt Documentation for Inmate Administrative Transfers Between the Men's Community Corrections Center and the Jail

Condition: Supporting documentation was incomplete for 1 of the 28 cash receipt transactions tested relating to the booking process. Individuals booked into the jail are required to relinquish their personal property. We noted that this instance was related to an inmate being administratively transferred between jail sites. Improper documentation could result in mishandling inmate personal property.

Recommendation: The management of the Department of Corrections should evaluate the process used to administratively transfer an inmate back into the jail. Cash receipt documentation for inmates who are administratively transferred between locations should include the date of the transaction, a sequential receipt number, the amount of cash received, and proper sign-off by the inmate and corrections officer.



County of Lehigh
Lehigh County Jail
38 North Fourth Street
Allentown, Pa 18102


Janine M. Donate
Director of Corrections

October 29, 2018

To: Glenn Eckhart, County Controller

Re: Response to Schedule of Audit Findings and Recommendations

- 1) We agree that there are rare occasions with the given computer management system that allows for gaps in the sequential cash receipt numbers. However, the Department of Corrections has already implemented the auditor's recommendations since early 2016. Management has assigned the task of examining gaps in the cash receipt numbering to the staff reviewing and posting the records on a daily basis. Any findings are turned over to the Jail Accountant who has a file with all findings from his investigation.
- 2) The management has previously evaluated the process of administrative transfers. We are currently prohibited by the jail management system software from providing any further cash receipt documentation without resulting in a double counting of that inmate for jail population figures. This issue has been reported previously to the Information Technology Department and would require further programming.


Janine Donate
Director of Corrections

cc: Chris Miller, Business Manager
File