



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

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GLENN ECKHART
COUNTY CONTROLLER

THOMAS GROGAN
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller *G.E.*
DATE: August 30, 2019
RE: Audit of Community Corrections Center

We have completed a financial audit of the Community Corrections Center, County of Lehigh, Pennsylvania for the calendar year January 1, 2018 to December 31, 2018. Our audit report number 19-18 is attached.

The result of our audit is the "*Statement of Receipts and Disbursements*" for the period January 1, 2018 to December 31, 2018 presents fairly, in all material respects, the financial activity arising from cash transactions of the Department of Corrections Community Corrections Center.

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA
COMMUNITY CORRECTIONS CENTER

Financial Audit
For the Calendar Year January 1, 2018 to December 31, 2018

REPORT NO. 19-18

COUNTY OF LEHIGH, PENNSYLVANIA
COMMUNITY CORRECTIONS CENTER

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COUNTY OF LEHIGH, PENNSYLVANIA
COMMUNITY CORRECTIONS CENTER

Background

The Lehigh County Community Corrections Center (CCC) houses sentenced male and female residents in a minimum security facility. Fully renovated in 2011, this center affords individuals the opportunity to participate in rehabilitative programs, secure local community employment, and pay their court costs, child support, room and board, etc. The 2018 budget is predicated on an average daily population of 230 residents including some state offenders, for which the county receives per diem compensation. As a form of intermediate punishment, community corrections is widely used for short-term, low custody level offenders, who pose minimal risk to society. The facility also provides highly structured supervision for offenders who would otherwise be incarcerated for technical violations of parole supervision. (Source: 2018 adopted Lehigh County Budget)



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COUNTY CONTROLLER

THOMAS GROGAN
DEPUTY CONTROLLER

Laura Kuykendall, Warden
Community Corrections Center
1600 Riverside Drive
Bethlehem, PA 18016

Report on Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements of the Community Corrections Center for the calendar year January 1, 2018 to December 31, 2018 (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 Community Corrections Center for the calendar year January 1, 2018 to December 31, 2018, 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*" and "*Schedule of Prior 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 Community Corrections Center 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 calendar year January 1, 2018 to December 31, 2018 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 August 20, 2019 on our consideration of the Community Corrections Center's 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

August 20, 2019
Allentown, Pennsylvania

Audited by: Daniel Aquilino

xc: Phillips Armstrong, County Executive
Timothy Bollinger, Manager, General Services
Board of Commissioners
Janine Donate, Director of Corrections
Edward Hozza, Director of Administration
Chris Miller, Accountant, Lehigh County Jail
Richard Molchany, Director of General Services
Billie Jo Pochatko, Clerical Tech I, Community Corrections Center
Timothy Reeves, Fiscal Officer
Angela Zemyan, Operations Manager, General Services

COUNTY OF LEHIGH, PENNSYLVANIA
COMMUNITY CORRECTIONS CENTER

Statement of Receipts and Disbursements
For the Calendar Year January 1, 2018 to December 31, 2018
(NOTE 1)

Receipts:	
Gross Deposits	\$ 554,411
Disbursements:	
Room and Board	222,870
Cost and Fines	61,787
Laundry Fees	9,592
Furlough	7,235
Miscellaneous Fees	6,579
Domestic Relations	6,371
Shuttle Fees	5,483
TV/Cable	<u>2,449</u>
Total Disbursements	<u>322,366</u>
Receipts Over (Under) Disbursements	232,045
Less: Funds Returned to Inmates	<u>(232,045)</u>
Funds Not Disbursed	<u><u>\$ 0</u></u>

The accompanying notes to financial statement are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
COMMUNITY CORRECTIONS CENTER

Notes to Financial Statement
For the Calendar Year January 1, 2018 to December 31, 2018

1. Summary of Significant Accounting Policy

A. Reporting Entity

The Community Corrections Center's 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 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.

C. Continuous Audits

The Controller's Office performs continuous audits of county receipts and disbursements including inmate payroll activity at the Community Corrections Center. Continuous audit work since the last audit are included in this audit report by reference.



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Laura Kuykendall, Warden
Community Corrections Center
1600 Riverside Drive
Bethlehem, PA 18016

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 of the Community Corrections Center for the calendar year January 1, 2018 to December 31, 2018 (hereafter referred to the Schedules) and have issued our report thereon dated August 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered the Community Corrections Center's 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 Community Corrections Center's 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 Community Corrections Center's 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 Community Corrections Center in a separate section titled "*Schedule of Audit Findings and Recommendations*". If provided, the Community Corrections Center's response to our audit is included in this report. We did not audit the Community Corrections Center's 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; Timothy Reeves, Fiscal Officer; Janine Donate, Director of Corrections and 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

August 20, 2019
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA
COMMUNITY CORRECTIONS CENTER (CCC)

Schedule of Audit Findings and Recommendations

1. **Voided Receipts Not Signed Off by Management**

Condition: In the year 2018, there were only 24 voided receipts for the entire year, which equates to 1% of the total number of receipts issued. Out of those 24, only one was marked “VOID” by management.

Recommendation: While it appears that there are controls in place, which include (but are not limited to): printing reissued receipts on different colored paper than the original receipt, and having someone outside of the receipting process approve and reissue the voids, the original receipt should be marked “VOID” and signed by the Warden and/or payroll clerk.

2. **No Separate Log or Report That Shows Voided Transactions**

Condition: There is not a separate log or report that shows the voided receipts. Instead, the user has to page through all of the cash receipts journals to find the voided transactions, which are also not signed off by management.

Recommendation: A spreadsheet or related log should be kept to help easily identify the receipts that are voided in the audit period. A copy of the voided and reissued receipts should also be kept with the log.

3. **Excessive Overtime for 2 Employees at Community Corrections Center**

Condition: Overtime payments at the Community Corrections Center was \$114,547.30 in 2018, which includes payments to 2 out of 18 employees who worked in excess of 520 overtime hours, totaling \$66,564.06.

Recommendation: Consideration needs to be made during contract negotiations in regards to limiting the amount of overtime an employee is allowed to accrue, in any one period.

4. **Training of Additional People to Process Inmate Payroll Transactions**

Condition: There is only one person who knows how to process the inmate payroll, and open the drop safe where the payments are collected. This could be problematic if the employee resigns or takes a lengthy vacation.

Recommendation: There should be someone else trained to process the inmate payroll, including accessing the drop safe, so that there are no delays in depositing the funds or returning funds to the inmates.

COUNTY OF LEHIGH, PENNSYLVANIA
COMMUNITY CORRECTIONS CENTER (CCC)

Schedule of Prior Audit Findings and Recommendations

1. **Condition:** Current ownership and use rights in, as well as maintenance obligations for, Riverside Drive are not clearly defined. There is an agreement dated April 10, 1987 between Consolidated Rail Corporation ("Conrail") Steel Structures Corporation ("Steel") and Reeb Millwork Corporation ("Reeb") that specifically refers to "a private roadway, known as Riverside Drive" and further states that the "land underlying said roadway is owned partly by (Steel), partly by Conrail and partly by Goodman." Riverside Drive starts in the city of Bethlehem, Northampton County, and continues into Lehigh County, through Fountain Hill and Salisbury Township. Due to the nebulous nature of road ownership and maintenance responsibility, the county has undertaken steps to help keep the apparent private road in a drivable condition, without assistance from other companies whose employees also utilize the road.

Recommendation: The Department of Law should take the necessary steps to identify all private and public, if any, ownership rights in Riverside Drive (and any portions thereof). In addition, use rights and maintenance responsibilities of the multiple entities using Riverside Drive should be clearly established and, ideally, reduced to writing.

Current Status: As of the date of this report, it appears that the railroad company is willing to begin talking about the ownership of the road. If the company decides to give ownership to the County, the County will then make it a private road. This will allow the County to pave and maintain the road, as well as control who is allowed on it. The purpose of this finding is to ensure that it is followed up and resolved in the next audit.

Response to Audit Findings and Recommendations:

1. The Warden will sign off on each voided receipt.
2. A 'Voided Receipt Log' has been created to document and record all voided receipts (see attached).
3. Excessive overtime addressed with the Director.
4. The Warden will be trained to process payroll.
5. The status of Riverside Drive ownership discussed with the Director.

Laura Kuykendall, Warden



August 20, 2019 d)

[illegible]