



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 871-2897

GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller *G.E.*
DATE: March 7, 2014
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, 2013 to September 30, 2013. Our audit report number 14-3 is attached.

The result of our audit is the accompanying "Statement of Receipts, Disbursements, and Changes in Fund Balance" for the period January 1, 2013 to September 30, 2013 fairly states the financial condition of the County of Lehigh, Department of Corrections inmate accounts.

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA

DEPARTMENT OF CORRECTIONS

INMATE ACCOUNTS

Financial Audit for the Period January 1, 2013 to September 30, 2013

REPORT NO. 14-3

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 inmate spending (mostly for commissary purchases). Commissary management is the responsibility of the Oasis Management Systems, Inc. providing the items for sale to the inmates. Oasis manages the commissary operation at the main prison facility without compensation by the county. The contract provides for the county to receive a 37% commission on sales revenue less certain deductions (i.e., for items provided to indigent inmates). For 2013, 37% of all commissary commissions amounted to \$308,726. Inmate accounts management is the responsibility of the Department of Corrections.

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.



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Edward G. Sweeney, CJM, Director
Department of Corrections
Lehigh County Prison
38 North Fourth Street
Allentown, PA 18101-2400

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, 2013 to September 30, 2013 as listed in the Table of Contents. The financial statements are the responsibility of the Department of Corrections - Inmate Accounts' management. Our responsibility is to express an opinion on the Statement of Receipts and Disbursements and Changes in Fund Balance based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the States of America and the generally accepted government auditing 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements 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 financial statements 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, 2013 to September 30, 2013 in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the Statement of Receipts and Disbursements and Changes in Fund Balance 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, 2013 to September 30, 2013, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014 on our consideration of the 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* and should be considered in assessing the results of our audit.

A handwritten signature in blue ink, appearing to read 'Glenn Eckhart', with a stylized flourish at the end.

Glenn Eckhart
County Controller

February 24, 2014
Allentown, Pennsylvania

xc: Board of Commissioners
Daniel McCarthy, Director of Administration
Christopher Miller, Accountant, Department of Corrections
Thomas Muller, County Executive
Timothy Reeves, County 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, 2013 - September 30, 2013
(NOTE 1)

Receipts:	
Cash Receipts	\$ 887,895.92
Inmate Payroll	\$ 57,765.36
Other Receipts (Note 2)	\$ 585.00
Total Receipts	<u>\$ 946,246.28</u>
Disbursements:	
Commissary Sales	\$ (710,441.70)
Disbursements	\$ (216,031.81)
Other Disbursements (Note 2)	\$ (18,460.62)
Medical Fees	\$ (6,670.00)
Restitution	\$ (354.57)
Total Disbursements	<u>\$ (951,958.70)</u>
Excess Receipts Over/(Under) Disbursements	\$ (5,712.42)
Beginning Fund Balance - January 1, 2013	\$ 75,057.39
Ending Fund Balance - September 30, 2013	\$ 69,344.97

COUNTY OF LEHIGH, PENNSYLVANIA
DEPARTMENT OF CORRECTIONS
INMATE ACCOUNTS

Notes to Financial Statements
For the period January 1, 2013 to September 30, 2013

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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Edward G. Sweeney, CJM, Director
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We have audited the financial statements of the Department of Corrections – Inmate Accounts for the period January 1, 2013 to September 30, 2013 and have issued our report thereon dated February 24, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit, we considered the Department of Corrections – Inmate Accounts’ internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement of Receipts and Disbursements and Changes in Fund Balance, but not for the purpose of expressing an opinion on the effectiveness of the Department of Corrections – Inmate Accounts’ internal control over financial reporting. 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 misstatements 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 by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such as there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

As part of obtaining reasonable assurance about whether the Department of Corrections – Inmate Accounts’ financial statements 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*.

This report is intended solely for the information and use of management and other affected county offices 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.

A handwritten signature in blue ink, appearing to read 'Glenn Eckhart', with a stylized flourish at the end.

Glenn Eckhart
County Controller

February 24, 2014
Allentown, PA