

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



*Audit Report  
Chester County Prison Canteen Fund  
For the year ended December 31, 2007*

**Valentino F. DiGiorgio, III, Controller**

**COUNTY OF CHESTER**  
**AUDIT OF THE CHESTER COUNTY PRISON CANTEEN FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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

**COUNTY OF CHESTER**  
**AUDIT OF THE CHESTER COUNTY PRISON CANTEEN FUND**

**TABLE OF CONTENTS**

AUDITOR’S REPORT ..... 1

FINANCIAL STATEMENTS:

Statement of Assets and Liabilities.....2

Statement of Cash Receipts, Disbursements, and Cash Balance ..... 3

Notes to Financial Statements ..... 4

AUDITOR’S REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROLS OVER FINANCIAL REPORTING ..... 5

SUMMARY OF EXIT CONFERENCE..... 7



# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

2 N. HIGH STREET, SUITE 540, P.O. BOX 2748, WEST CHESTER, PA 19380-0991  
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

VALENTINO F. DIGIORGIO, III  
Controller

September 5, 2008

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

We have audited the accounts of the *Chester County Prison Canteen Fund (Canteen)* as of December 31, 2007, and have compiled the attached Statement of Assets and Liabilities and the related Statement of Cash Receipts, Disbursements, and Cash Balances for the year then ended. It is Internal Audit's responsibility to audit annually the accounts of the *Canteen* and to report the results of such audits to the Chester County Prison Board and Chester County Prison management. 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 that 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 *Canteen* in conformity with generally accepted accounting principles.

In our opinion, the accounts of the *Canteen* are stated fairly as of December 31, 2007. Consequently, the corresponding financial statements prepared by Internal Audit present fairly, in all material respects, the assets and liabilities of the *Canteen* as of December 31, 2007, and the cash receipts, disbursements, and cash balances for the year then ended.

In accordance with Government Auditing Standards, we have also issued reports dated September 5, 2008, which summarize our evaluation of the internal control structure of the *Canteen* and comment on its compliance with laws and regulations.

Valentino F. DiGiorgio, III  
Controller

**COUNTY OF CHESTER**  
**CHESTER COUNTY PRISON CANTEEN FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**DECEMBER 31, 2007**

**Assets**

Cash – Checking Account	\$ 929,752
Cash – Petty Cash	<u>50</u>
Total Assets	<u>\$ 929,802</u>

**Liabilities and Equity**

Accounts Payable	\$ 55,630
Due to Inmate Fund	11,419
Restricted Fund Balance	<u>862,753</u>
Total Liabilities and Equity	<u>\$ 929,802</u>

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

**COUNTY OF CHESTER**

**CHESTER COUNTY PRISON CANTEEN FUND**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCES  
CANTEEN ACCOUNT**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash Balance – Checking Account, January 1, 2007		\$ 899,927
Receipts:		
Canteen Sales	\$ 732,502	
Telephone Commissions	80,083	
Interest Income	41,928	
Miscellaneous Income	<u>7,174</u>	
Total Receipts		<u>\$ 861,687</u>
Disbursements:		
County General Fund	\$ 819,054	
Canteen Wages	220	
To Inmate Fund	1,351	
Postage	9,900	
Bank Charges	1,129	
Misc. Disbursements	<u>208</u>	
Total Disbursements		<u>\$ 831,862</u>
Excess of receipts over disbursements		<u>29,825</u>
Cash Balance – Checking Account, December 31, 2007		<u>\$ 929,752</u>

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

**COUNTY OF CHESTER**  
**CHESTER COUNTY PRISON CANTEEN FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

***Note 1: Summary of Accounting Policies***

**Background and Reporting Entity**

The *Canteen* was an enterprise fund that consisted of monies generated from the sale of merchandise in the prison commissary. Any profit generated was placed in the fund checking account and used for the purchase of inventory for resale in the *Canteen* and items to benefit the health and welfare of the inmates. As of March 3, 2005, the prison commissary was subcontracted out to Keefe Commissary Network (see Note 3). The *Canteen* now consists of monies received from commissions on gross canteen sales, telephone commissions, and miscellaneous income from car washes, visitor photos, postage sales, copies, and the interest earned on the Inmate Fund and transferred to the *Canteen* account. The *Canteen* account monies are used to pay inmate canteen wages, to reimburse the Inmate Fund account for any bank service charges, to pay for postage advances, and to purchase items beneficial to the general inmate population.

**Basis of Accounting**

The books and records of the *Canteen* are maintained on the cash basis of accounting. Consequently, receipts are recognized when received into the fund 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.

***Note 2 – Legal Matters***

Our audit disclosed no pending litigation involving the Chester County Prison or its Warden (D. Edward McFadden) for the year ended December 31, 2007.

***Note 3 – Agreement for Contracted Services***

On March 3, 2005, an agreement was made and entered by and between the County of Chester and Keefe Commissary Network. From this agreement, the County of Chester now uses the services of Keefe Commissary Network to provide Inmate Commissary Services for the *Canteen*.



# COUNTY OF CHESTER

## OFFICE OF THE CONTROLLER

2 N. HIGH STREET, SUITE 540, P.O. BOX 2748, WEST CHESTER, PA 19380-0991  
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

VALENTINO F. DIGIORGIO, III  
Controller

September 5, 2008

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

### **Report on Compliance and on Internal Controls Over Financial Reporting**

In accordance with Government Auditing Standards, the scope of our audit included an examination and evaluation of the adequacy and effectiveness of the *Canteen's* system of internal control and the *Canteen's* quality of performance in carrying out assigned responsibilities. The primary objectives of internal controls include the following:

- Compliance with policies, procedures, laws and regulations
- Accomplishment of goals
- Reliability and integrity of information
- Economical and efficient use of resources
- Safeguarding of assets.

In addition, generally accepted auditing standards (GAAS) require that auditors obtain an understanding of the internal control process and assess control risk in financial statement audits. For a financial statement audit, internal control is defined as a process that is designed to provide reasonable assurance that objectives regarding the reliability of financial reporting, the effectiveness and efficiency of operations, and the compliance with applicable laws and regulations are achieved. The internal control process consists of five components. They are the *control environment*, *risk assessment*, *information and communication*, *monitoring*, and *control activities*.

The *control environment* sets the tone of the organization and is the foundation for all other components of internal control. The collective effect of various important factors defines the *control environment*, which in turn establishes, enhances, or mitigates the effectiveness of policies and procedures. These important factors include the entity's organizational structure and method of assigning authority and responsibility.

The *risk assessment* is the entity's identification and analysis of relevant risks to the achievement of its objectives, and forms the basis for determining how the risks should be managed.

*Information and communication* are the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.

*Monitoring* is a process that assesses the quality of internal control performance over time.



**Report on Compliance and on Internal Controls Over Financial Reporting (continued)**

*Control activities* are the policies and procedures that help ensure management directives are carried out. These policies and procedures may be classified as:

- Authorization
- Segregation of duties
- Documentation
- Physical safeguards
- Independent checks and balances.

Our audit disclosed no significant deficiencies or material weaknesses that, in our opinion, pose a significant risk to the *Canteen* or the County of Chester.

Findings of a lesser significance in the areas of the internal control structure and compliance, specifically:

- Internal control with respect to recordkeeping, recording, and authorization of cash disbursements and voided disbursements
- Compliance with respect to voided disbursements

have been addressed under separate cover with the management of the *Canteen* for its action and/or response. Copies of the Management Letter will be made available upon request.

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



Valentino F. DiGiorgio, III  
Controller

**COUNTY OF CHESTER**  
**CHESTER COUNTY PRISON CANTEEN FUND**  
**SUMMARY OF EXIT CONFERENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

An exit conference was not warranted for the audit of the Prison Canteen Fund. Warden D. Edward McFadden has accepted the Audit Report and Management Letter as presented.