Audit Report
Chester County Prison Correctional Center
For the year ended December 31, 2006

Valentino F. DiGiorgio, III, Controller
COUNTY OF CHESTER

AUDIT OF THE CHESTER COUNTY PRISON CORRECTIONAL CENTER

FOR THE YEAR ENDED DECEMBER 31, 2006

Robert J. Cochlin, Manager
Correctional Center
503 S. Wawaset Road
West Chester, PA 19382
COUNTY OF CHESTER

AUDIT OF THE CHESTER COUNTY PRISON CORRECTIONAL CENTER

TABLE OF CONTENTS

AUDITOR’S REPORT............................................................................................................................ 1

FINANCIAL STATEMENTS:

- Statement of Assets and Liabilities................................................................. 2
- Statements of Receipts, Disbursements, and Cash Balance .................... 3
- Notes to Financial Statements........................................................................... 5

AUDITOR’S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROLS OVER FINANCIAL REPORTING........................................ 6

SUMMARY OF EXIT CONFERENCE...................................................................................... 8
In our opinion, the accounts of the Center are stated fairly as of December 31, 2006. Consequently, the corresponding financial statements prepared by Internal Audit present fairly, in all material respects, the assets and liabilities of the Center as of December 31, 2006, 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 June 26, 2007, on our consideration of the Center’s internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, policies and/or procedures. 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
CHESTER COUNTY PRISON CORRECTIONAL CENTER
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2006

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash – regular account</td>
<td>$17,655</td>
</tr>
<tr>
<td>Cash – Inmate Welfare Fund</td>
<td>13,411</td>
</tr>
<tr>
<td>Due from County of Chester</td>
<td>6,217</td>
</tr>
<tr>
<td>Due from discharged residents</td>
<td>1,963</td>
</tr>
<tr>
<td>Total assets</td>
<td>$39,246</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to County of Chester</td>
<td>$15,278</td>
</tr>
<tr>
<td>Due to residents</td>
<td>9,595</td>
</tr>
<tr>
<td>Due to Inmate Welfare Fund</td>
<td>962</td>
</tr>
<tr>
<td>Restricted funds (IWF)</td>
<td>13,411</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$39,246</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
COUNTY OF CHESTER

CHESTER COUNTY PRISON CORRECTIONAL CENTER

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE

REGULAR ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2006

Cash balance, January 1, 2006 $ 17,734

Receipts:
  Inmate receipts $ 528,396
  Payroll reimbursement - County of Chester 36,735
  Interest income 886
  Miscellaneous 1,703

  Total receipts 567,720

Disbursements:
  Inmate allowances $ 303,974
  Inmate wages 36,622
  Inmate Welfare Fund 5,248
  County of Chester:
    Room & board/urin. Fee $ 167,763
    Fines & costs (APO) 31,296

    199,059
  Discharged payout 20,210
  Other 2,322
  Bank service fees 364

  Total disbursements 567,799

Excess of disbursements over receipts (79)

Cash balance, December 31, 2006 $ 17,655

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

3
COUNTY OF CHESTER

CHESTER COUNTY PRISON CORRECTIONAL CENTER

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE

INMATE WELFARE FUND

FOR THE YEAR ENDED DECEMBER 31, 2006

Cash balance, January 1, 2006 $13,650

Receipts:
- Inmate activity fee $5,190
- Vending machine commissions 3,575
- Picture money 548
- Interest income 584
- Miscellaneous 1,149

Total receipts 11,046

Disbursements:
- Barber salary & hair supplies $8,609
- Sports equip/games 23
- Movies/remotes 482
- Miscellaneous 2,171

Total disbursements 11,285

Excess of disbursements over receipts (239)

Cash balance, December 31, 2006 $13,411

The accompanying notes are an integral part of these financial statements.
Note 1 – Summary of Significant Accounting Policies

Background and Reporting Entity

The Center’s checking account serves as an escrow account for all inmates (residents) on work release assignment. As monies are earned, the monies are deposited into individual sub-accounts, which in aggregate comprise the overall checking account balance. Each week administrative fees (i.e. activity fees, room and board fees, fines and costs, urinalysis fees, job fees) are deducted from each resident’s account and at month-end these administrative fees are disbursed to either the County of Chester, Adult Probation, and/or the Inmate Welfare Fund. Remaining funds may be disbursed to the residents, disbursed to the families of the residents to maintain household expenditures, or may remain in escrow. Consequently, any undisbursed funds held in escrow represent a liability to the Center.

Basis of Accounting

The books and records of the Center are maintained on the cash basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when incurred. Accordingly, the accompanying statements do not present the assets, liabilities, receipts, disbursements, and undisbursed funds in accordance with generally accepted accounting principles (GAAP).

Note 3 – Legal Matters

Our audit disclosed no pending litigation involving the Correctional Center or its Manager (Robert J. Cochlin) for the year ended December 31, 2006.
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 Center’s system of internal control and the Center’s quality of performance in carrying out its 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 methods 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 a 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

*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 weaknesses that, in our opinion, pose a significant risk to the Center or the County of Chester.

A finding of lesser significance in the area of compliance, specifically:

- Compliance with department policies/procedures with respect to cash disbursements

has been addressed under separate cover with the management of the Center 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 Chester County Prison Board, Chester County Prison management, and the Center’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

CHESTER COUNTY PRISON CORRECTIONAL CENTER

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2006

On July 3, 2007, Correctional Center Manager, Robert J. Cochlin, indicated through a written confirmation that an exit conference would be waived for this year. The Correctional Center Manager has accepted the report as presented.