



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

**Audit Report
For the Years Ended
December 31, 2016 and 2015**

County of Chester
Prison Inmate Fund

Annual Financial Statement
Audit

Norman MacQueen, Controller

COUNTY OF CHESTER
PRISON INMATE FUND
ANNUAL FINANCIAL STATEMENT AUDIT
AS OF DECEMBER 31, 2016 and 2015

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

COUNTY OF CHESTER
PRISON INMATE FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
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NORMAN MACQUEEN
Controller

Internal Auditor's Report

D. Edward McFadden, Warden
Chester County Prison
501 Wawaset Road
West Chester, PA 19380

Report on the Financial Statements

We have audited the accompanying financial statements of Prison Inmate Fund (*Inmate*), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2016 and 2015, and the related statements of cash receipts, disbursements and cash balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to annually audit the account of the *Inmate* and to report the results of the audit to the Chester County Commissioners, the Chester County Prison Board and to Prison administration.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the *Inmate* as of December 31, 2016 and 2015, and its cash receipts, disbursements and cash balances for the years then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated December 22, 2017, on our evaluation of the *Inmate*'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.



Norman MacQueen
Controller

December 22, 2017

COUNTY OF CHESTER

PRISON INMATE FUND

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash - Checking Account	\$ 69,764	\$ 101,404
Due from Canteen	-	17,842
Due from Inmates	7,981	7,884
Due from County - Accrued Payroll	4,440	3,439
Petty Cash - Inmate Fund	500	500
Petty Cash - Change Fund	400	400
	<hr/>	<hr/>
Total Assets	\$ 83,085	\$ 131,469
	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities</u>		
Due to Inmates	\$ 80,759	\$ 97,560
Due to Commonwealth of Pennsylvania	1,926	613
Due to Canteen	-	32,896
Due to County - Petty Cash / Change Fund	400	400
	<hr/>	<hr/>
Total Liabilities	\$ 83,085	\$ 131,469
	<hr/> <hr/>	<hr/> <hr/>

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

COUNTY OF CHESTER

PRISON INMATE FUND

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Receipts</u>		
Visits	\$ 602,994	\$ 574,071
Mail	428,812	503,987
Inmate Processing	204,271	200,192
Collected Inmate Payroll	153,514	152,079
Pre-Work Release Wages	32,904	33,819
Miscellaneous Chores	1,320	806
Other	37	648
	<hr/>	<hr/>
Total Receipts	1,423,852	1,465,602
<u>Disbursements</u>		
Canteen Sales	920,851	878,595
Booking Fee	231,749	236,919
Disbursements on Behalf of Inmates	134,894	124,491
Discharged Inmates	129,607	158,790
Inmate Financial Responsibility Payments	29,815	36,897
Unclaimed Property	8,394	30,604
Miscellaneous Expenses	182	699
	<hr/>	<hr/>
Total Disbursements	1,455,492	1,466,995
Cash Increase (Decrease)	(31,640)	(1,393)
Cash, Beginning of Year	101,404	102,797
	<hr/>	<hr/>
Cash, End of Year	<u>\$ 69,764</u>	<u>\$ 101,404</u>

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

COUNTY OF CHESTER

PRISON INMATE FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies

Background and Reporting Entity

The audited financial statements of the *Inmate* include those transactions dealing with funds that belong to the inmates. Each inmate has an account set up for when money is received in his/her name. Receipts stem from money removed from the inmates' possession at the time of commitment (inmate processing), from family and friends during visits and through the mail, from the County of Chester Prison Canteen Fund, and the Correctional Center in the form of payroll for jobs and miscellaneous chores performed by the inmates. Disbursements include payments to the Prison Canteen Fund for inmate purchases from the prison's in-house store (the canteen), payment of account balances to discharged inmates, and payments on behalf of inmate to individuals designated by the inmates. Disbursements on behalf of inmate include checks to family and/or friends, postage, telephone, notary fees, restitution payments, and medical co-pays. Consequently, the cash balance is always representative of the liabilities ultimately due to the inmates upon their discharge.

At December 31, 2016, there were 744 inmates committed to the Prison.

The actual operating expenses of the Prison are paid for by the County of Chester. These costs include salaries and wages of prison employees, related fringe benefits, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statements of Cash Receipts, Disbursements, and Cash Balance.

Basis of Accounting

The books and records of the *Inmate* are maintained on the cash basis of accounting. Consequently, receipts are recognized when received 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, disbursements, and cash balance in accordance with generally accepted accounting principles.

COUNTY OF CHESTER

PRISON INMATE FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Principles (continued)

Booking Fee Programs and Inmate Financial Responsibility

Effective January 1, 2013, all inmates who are committed on or after this date will be charged a Booking/Processing Fee. As of August 1, 2014 the fee changed from \$50.00 to \$85.00. This fee will apply and be assessed to an inmate's account upon initial commitment. There will be no additional Booking/Processing Fee assessed for an inmate after initial commitment with an existing ID number. However, if an inmate is officially discharged from the Prison and is subsequently recommitted thereby reactivating his or her inmate ID number, a new Booking/Processing Fee will be assessed.

As of December 31, 2016, \$478,297 in Booking Fee debt is owed to the Chester County Prison and subsequently to the County of Chester.

The Inmate Financial Responsibility (IFR) Program was adopted by the Chester County Commissioners and made effective in January 1997. It consisted of a \$7.00 per day surcharge that was chargeable to the inmates' personal accounts as compensation for room and board. Effective August 1, 2014, no new fees are assessed under this program, however previous debt owed by Inmates is still collected and paid to the County of Chester.

The IFR program also includes provisions to hold the inmates personally responsible for any damages they have done to prison property or incidental costs incurred by the prison for the inmates. These receipts are retained by the prison. IFR fees are assessed at the time of discharge (the full sentence has been served) and are only assessed on the inmates who have been sentenced and committed for a period of two years or less. IFR fees are not assessed on those being held at the prison for trial. In the Statement of Cash Receipts, Disbursements, and Cash Balance for the year ended December 31, 2016, IFR fees received represent those actual payments to the Chester County Prison, while IFR fees disbursed represent any funds received, in addition to non-cash transactions of transfers from the inmates' accounts.

As of December 31, 2016, \$9,249,776 in IFR debt is owed to the Chester County Prison and subsequently to the County of Chester.

Note 2 - Legal Matters

Our audit disclosed no pending litigation involving the *Inmate* or the Warden D. Edward McFadden that would affect the financial statements for the year ended December 31, 2016.



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NORMAN MACQUEEN
Controller

December 22, 2017

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

In planning our audit of the financial statements of the Prison Inmate Fund (*Inmate*) as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the *Inmate's* internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Inmate's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Inmate's* internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses have been identified.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the *Inmate's* financial statements will not be prevented, or detected and corrected on a timely basis.

As part of obtaining reasonable assurance about whether the *Inmate's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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*.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

We noted certain matters that we reported to Prison management in a separate letter dated December 22, 2017. These matters related to liabilities, cash receipts and voided receipts.

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



Norman MacQueen
Controller

COUNTY OF CHESTER
PRISON INMATE FUND
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2016

An exit conference was not warranted for the audit of the Prison Inmate Fund. Warden D. Edward McFadden has accepted the report as presented.