



County of Chester
Office of the Controller
Internal Audit Department

Management Letter
For the Years Ended
December 31, 2020 and 2019

County of Chester Prison Correctional Center

Management Letter

Margaret Reif, Controller

Prison Correctional Center - Executive Summary

Are there any MAJOR issues that require management's immediate action and/or attention? **Yes**
(Sufficient controls are not in place to address the associated risk.)

Are there any LESSER SIGNIFICANT issues that require management's action and/or attention? **No**
(Process is not critical to the overall operation.)

Are there any MINOR issues that do not require management's action and/or attention? **Yes**
(Sufficient controls are in place and issue is strictly a result of human error and oversight.)

Recap of Findings Identified	
1	Major Findings
0	Lesser Significant Findings
1	Minor Findings

Margaret Reif

Margaret Reif, Controller

Introduction

On June 25, 2021, Internal Audit completed an audit of the Prison Correctional Center (*Center*) for the years ended December 31, 2020 and 2019. Christian J. Kriza was the auditor-in-charge and was assisted by Dustin Henken. Internal Audit is required by Pennsylvania County Code to review county offices annually to ensure compliance with policies and procedures and to assess their overall internal control structure. The scope of the audit included a review of the following:

- Cash
- Cash Receipts
- Cash Disbursements
- Voided Transactions
- Inmate Welfare Fund
- Escheats

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. We have also issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters concurrent with this Management Letter (*Letter*). Disclosures and other information in that Report (also dated June 25, 2021) should be considered in conjunction with this Management Letter.

Summary

During our audit, we became aware of several findings and matters that represent opportunities for strengthening internal controls and operating efficiency. The Schedule of Findings (*Schedule*) on Page 3 of this *Letter* summarizes our comments and recommendations concerning those matters.

We will transmit a final copy of this *Letter* and the audit report to you electronically once you provide your responses to each finding documented in the *Schedule*.

We will review the status of these comments during our next audit engagement. We have already discussed these findings and recommendations with various *Center* personnel and will be pleased to discuss them in further detail at your convenience.

Methodology

Internal Audit interviewed key personnel, observed operations, reviewed written policies, procedures, system reports and source documents, and tested specific transaction activity where applicable.

Cash is reconciled and reviewed at 100%.

Cash receipts are tested on a sample basis. The sample sizes tested are as follows:

- 27 out of a population of 268 receipts generated in 2019.
- 4 out of a population of 39 receipts generated in 2020.

Cash disbursements are tested on a sample basis. The sample sizes tested are as follows:

- 17 out of a population of 170 checks issued in 2019.
- 4 out of a population of 36 checks issued in 2020.

Voided receipts are tested on a sample basis. The sample sizes tested are as follows:

- 2 out of a population of 8 receipts voided in 2019.
- There were no voided receipts in 2020.

Voided disbursements are tested on a sample basis. The sample sizes tested are as follows:

- 2 out of a population of 4 checks voided in 2019.
- 1 out of a population of 1 checks voided in 2020.

Inmate Welfare Fund cash receipts and disbursements are tested at 100%.

Escheats are tested on a sample basis. There were no escheated monies for 2019 or 2020.

Schedule of Findings

Finding 1: Segregation of Duties

Rating: Major

Condition

There are insufficient segregation of duties within the accounting and bookkeeping functions in the *Center*. Bookkeeping personnel is an authorized signer on the account, receives bank statements, performs bank reconciliations, and records accounting transactions.

Criteria

The intent of segregation of duties is to reduce excessive control over a process by one individual thus reducing the risk of error, fraud or theft.

Cause

The limited size of the fiscal and managerial staff prevents segregation of duties found in larger organizations.

Effect or Potential Effect

Insufficient segregation of duties controls can increase risk of error, fraud, or theft.

Recommendation

Internal Audit recommends the Office identify, assess, implement, and monitor independent checks and balances in high risk or sensitive processes, which lack proper segregation of duties. Where applicable, management should also implement and maintain new procedures to address segregation of duties as they relate to the accounting and bookkeeping functions.

Auditee Response

Prison Management concurs with the finding and recommendation.

Finding 2: Inmate Welfare Fund - Cash

Rating: Minor

Condition

A deposit for \$147.18 was made into the IWF Bank account on 12/2/2020 and was receipted into OMS on 12/2/2020 but not QuickBooks. Since OMS conversion is not complete (per the Correctional Center), the entry into QuickBooks (still the system of record) should have been made on 12/2/2020 as well. The deposit was eventually booked into QuickBooks on 1/4/2021. It was also marked as cleared by 12/31/2020 even though it was dated after year end.

Criteria

The Office should maintain one system of record and complete OMS conversion. It should also ensure deposits and accounting entries are dated properly and made within a timely manner.

Cause

Lack of training and knowledge related to QuickBooks and financial statements.

Effect or Potential Effect

Improper recordkeeping and documentation can cause or contribute to issues in the reconciliation and/or financial reporting process.

Recommendation

Internal Audit recommends the Office review and update its reconciliation process to ensure that cash account balances are reported accurately and timely.

Auditee Response

Prison Management concurs with the finding and recommendation.