



County of Chester  
Office of the Controller  
Internal Audit Department

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

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# County of Chester Prison Canteen Fund

## Management Letter

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Margaret Reif, Controller

### Prison Canteen Fund - 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? **Yes**  
(Process is not critical to the overall operation.)

Are there any MINOR issues that do not require management's action and/or attention? **No**  
(Sufficient controls are in place and issue is strictly a result of human error and oversight.)

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

*Margaret Reif*

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Margaret Reif, Controller

## Introduction

On June 8, 2022, Internal Audit completed an audit of the Prison Canteen Fund (*Canteen*) for the years ended December 31, 2020 and 2019. Christian J. Kriza was the auditor-in-charge and was assisted by Brenden Madonia. 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 Deposits
- Cash Disbursements
- Voided Transactions
- Compliance (Commissary Contract)

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 8, 2022) 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 *Canteen* 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% for 2019 and 2020.

**Cash deposits** are tested on a sample basis. The sample size tested are as follows:

- 22 out of a population of 220 deposits generated in 2019.
- 16 out of a population of 146 deposits generated in 2020.

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

- 4 out of a population of 43 checks issued in 2019.
- 4 out of a population of 23 checks issued in 2020.

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

- 2 out of a population of 4 checks void in 2019.
- 2 out of a population of 6 checks void in 2020.

**Compliance (Commissary Contract)** is tested on a sample basis. The sample size tested is as follows:

- 18 out of a population of 24 months activity was reviewed for 2019 and 2020.

## Schedule of Findings

### **Finding 1: Segregation of Duties**

**Rating: Major**

#### **Condition**

There has been turnover within a critical position within the bookkeeping function during the first quarter of 2021 which impacted the timing and process for the year end closing of the books for 2020. While the bookkeeping function continued to operate throughout that period, a lack of adequate segregation of duties as it relates to management's independent review of monthly reconciliations and bank statements was identified. This lack of adequate segregation and associated review processes persisted throughout the period under audit.

#### **Criteria**

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

#### **Cause**

Limited management oversight of the bookkeeping function and an associated lack of formal review procedures associated with the existing assignment of duties.

#### **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**

*See page 5 for auditee response.*

### **Finding 2: Improper Recordkeeping**

**Rating: Lesser Significant**

#### **Condition**

During the conversion process from JailView to OMS, multiple journal entries were improperly recorded. In addition, there were instances where journal entries should have been recorded more timely.

**Criteria**

Journal entries and financial transaction records should be recorded timely and accurately.

**Cause**

Lack of training, knowledge, and vendor support for OMS.

**Effect or Potential Effect**

Improper recordkeeping and documentation can cause or contribute to issues in the reconciliation process, and could result in the reporting of inaccurate account balances.

**Recommendation**

Internal Audit recommends that the Office work to ensure all transactions are recorded properly and that staff receive the appropriate level of training and resources required to perform accounting functions within the new OMS platform.

**Auditee Response**

*See page 5 for auditee response.*

