County of Chester
Prison Canteen Fund

Independent Auditor’s Report

For the Years Ended
December 31, 2023 and 2022

Margaret Reif, Controller
County of Chester

Prison Canteen Fund

Annual Financial Statement Audit

As of December 31, 2023 and 2022

Chester County Prison Board
Howard Holland, Acting Warden
Chester County Prison
501 S. Wawaset Road
West Chester, PA 19382
Independent Auditor’s Report

Chester County Prison Board
Howard Holland, Acting Warden
Chester County Prison
501 S. Wawaset Road
West Chester, PA 19382

Report on the Financial Statements

Opinion

We have audited the accompanying cash basis financial statements of the Prison Canteen Fund (“Canteen”) as of and for the years ended December 31, 2023 and 2022, which comprise the statements of assets and liabilities arising from cash transactions and the related statements of receipts, disbursements and cash balances (the “financial statements”) and the related notes to the financial statements.

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 Canteen as of December 31, 2023 and 2022, 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 for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the Government Auditing Standards issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Canteen and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters - Basis of Accounting and Not Full County of Chester Financial Statements

We draw attention to the basis of accounting described under Management’s Responsibility for the Financial Statement section. The financial statements were prepared by the Canteen 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.

As discussed in Note 1, the financial statements present only the activity of the Canteen and do not purport to, and do not, present fairly the financial position or results of operations of the County of Chester, for the years ended December 31, 2023 and 2022 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.
Responsibilities of Management for the Financial Statements

The Canteen’s management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by GAS, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Canteen’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Canteen’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Canteen’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated April 3, 2024 on our consideration of the Canteen’s internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the
effectiveness of the Canteen’s internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Canteen’s internal control over financial reporting and compliance.

Margaret Reif
Controller
April 3, 2024
### County of Chester

**Prison Canteen Fund**

**Statements of Assets and Liabilities - Cash Basis**

**December 31, 2023 and 2022**

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash - Checking</td>
<td>$3,255,198</td>
<td>$3,103,576</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$3,255,198</td>
<td>$3,103,576</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted Funds - Inmates</td>
<td>$3,255,198</td>
<td>$3,103,576</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$3,255,198</td>
<td>$3,103,576</td>
</tr>
</tbody>
</table>

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

Prison Canteen Fund

Statements of Receipts, Disbursements
And Cash Balance - Cash Basis

For the Years Ended December 31, 2023 and 2022

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from Inmate Fund for Canteen and Tablet Purchases</td>
<td>$1,151,456</td>
<td>$1,095,706</td>
</tr>
<tr>
<td>Telephone/Tablet Commissions</td>
<td>230,121</td>
<td>214,484</td>
</tr>
<tr>
<td>Interest Income</td>
<td>153,028</td>
<td>49,261</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>11,230</td>
<td>4,143</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td>1,545,835</td>
<td>1,363,594</td>
</tr>
<tr>
<td><strong>Disbursements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County General Fund</td>
<td>1,377,873</td>
<td>1,483,036</td>
</tr>
<tr>
<td>Postage</td>
<td>13,050</td>
<td>9,549</td>
</tr>
<tr>
<td>Inmate Fund</td>
<td>355</td>
<td>480</td>
</tr>
<tr>
<td>Miscellaneous Disbursements</td>
<td>2,935</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Disbursements</strong></td>
<td>1,394,213</td>
<td>1,493,065</td>
</tr>
<tr>
<td><strong>Cash Increase (Decrease)</strong></td>
<td>151,622</td>
<td>(129,471)</td>
</tr>
<tr>
<td>Cash, Beginning of Year</td>
<td>3,103,576</td>
<td>3,233,047</td>
</tr>
<tr>
<td><strong>Cash, End of Year</strong></td>
<td>$3,255,198</td>
<td>$3,103,576</td>
</tr>
</tbody>
</table>

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

**Prison Canteen Fund**

**For the Years Ended December 31, 2023 and 2022**

**Notes to Financial Statements**

*Note 1 - Summary of Significant Accounting Principles*

**Background and Reporting Entity**

The Canteen consists of monies received from the Inmate Fund (a separate fund which aggregates the inmate’s personal spend monies while incarcerated) for various items, the most significant of which is commissary purchases. As part of the commissary purchasing process, Canteen receives a commission on net sales. The payment process includes the County General Fund paying the vendor directly (net of commissions), and the Canteen reimbursing the County General Fund. The Canteen also includes revenue resulting from telephone and tablet usage commissions, and miscellaneous income from car washes, visitor photos, postage sales, copies and interest earned on bank balances in the Inmate Fund which is transferred to the Canteen. The Canteen reimburses the Inmate Fund for any bank service charges, pays for postage advances and purchases items beneficial to the general inmate population.

In addition, the Canteen also disburses funds from its earned commissions to the County General Fund on a periodic basis to support overall County budget activities. For budget year 2023, the Canteen disbursed $400,000 to the County General Fund. In 2022, the Canteen disbursed $500,000 to the County General Fund.

The actual operating expenses of the Canteen are paid by the County of Chester. These costs include the salary and wages of office employees, 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 Balances.

**Basis of Accounting**

The books and records of the Canteen 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 balances in accordance with generally accepted accounting principles.

*Note 2 – Inmate Commissary Services*

On June 26, 2019, the County of Chester signed a contract with Keefe Commissary Network, LLC (*vendor*). The initial term of the contract was July 14, 2019 through July 13, 2022 and was extended through July 13, 2024. The *vendor* provides inmate commissary services for the Prison and Correctional Center. The County was paid a forty-five percent (45%) commission of net commissary sales through July 13, 2023 and a forty-two percent (42%) subsequently. During 2023 and 2022, Canteen earned commissions of approximately $399,000 and $356,000 respectively. These commissions are reflected within Transfer from Inmate Fund for Canteen and Tablet Purchases in the accompanying statement of receipts and disbursements.
Note 3 – Custodial Credit Risk

The Canteen’s policy for minimizing credit risk for bank balances exceeding Federal Deposit Insurance Corporation’s insured limits relies upon Act 72. The Act requires the financial institution to pool collateral for all of its government deposits in addition to having the collateral held by an approved custodian in the institution’s name. For deposits, custodial credit risk is the risk that in the event of bank failure, the Canteen’s deposits may not be recovered. As of December 31, 2022 and 2022, the Canteen’s cash balances were $3,255,198 and $3,103,576, respectively and exceed the limit covered by the Federal Deposit Insurance Corporation.

Note 4 – Management Change

Ronald Phillips served as the Warden of the Prison for the period September 12, 2020 to August 29, 2023.

Beginning August 30, 2023, Howard Holland has served as Acting Warden of the Prison.
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

April 3, 2024

Chester County Prison Board
Howard Holland, Acting Warden
Chester County Prison
501 S. Wawaset Road
West Chester, PA 19382

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statement of assets and liabilities arising from cash transactions as of December 31, 2023, and the related statement of cash receipts, disbursements and cash balances for the year then ended and the related notes to the financial statements of the Canteen and have issued our report thereon dated April 3, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Canteen’s internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances 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 Canteen’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Canteen’s internal control.

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 Canteen’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Canteen’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

We noted a certain matter that we reported to management of the Canteen in a separate letter dated April 3, 2024 related to the bank signature card.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the Chester County Commissioners, the Chester County Prison Board, the Chester County Court of Common Pleas, and the Auditor General of Pennsylvania. This report is, however, a matter of public record, and its distribution is not limited.

Margaret Reif
Controller
County of Chester

Prison Canteen Fund

For the Years Ended December 31, 2023 and 2022

Summary of Exit Conference

An exit conference was not warranted for the audit of the Prison Canteen Fund. Acting Warden Howard L Holland has accepted the audit report as presented.