



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

**Audit Report  
For the Year Ended  
December 31, 2011**

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# ***Prison Canteen Fund***

Annual Financial Statement  
Audit

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Valentino F. DiGiorgio, III, Controller

**COUNTY OF CHESTER**  
**PRISON CANTEEN FUND**  
**ANNUAL FINANCIAL STATEMENT AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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

**COUNTY OF CHESTER**  
**PRISON CANTEEN FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**TABLE OF CONTENTS**

AUDITOR’S REPORT .....	1
FINANCIAL STATEMENTS	
Statement of Assets and Liabilities .....	2
Statement of Cash Receipts, Disbursements, and Cash Balance .....	3
Notes to Financial Statements .....	4
AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLAIANCE AND OTHER MATTERS .....	5
SUMMARY OF EXIT CONFERENCE .....	7



# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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VALENTINO F. DIGIORGIO, III  
Controller

November 5, 2012

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

We have audited the accounts of the *Chester County Prison Canteen Fund (Canteen)* as of December 31, 2011, and have compiled the attached Statement of Assets and Liabilities and the related Statement of Cash Receipts, Disbursements, and Cash Balance for the year then ended. It is Internal Audit's responsibility to audit annually the accounts of the *Canteen* and to report the results of such audits to the Chester County Prison Board and Chester County Prison management. It is management's responsibility to maintain, update, and reconcile these accounts on a continuous basis.

Our audit was conducted in accordance with generally accepted auditing standards and the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit in a manner that will provide *reasonable assurance* that the accounts are free of material misstatement and that amounts are properly supported and approved.

As described in Note 1, the accompanying financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the statements referred to above are not intended to present the financial position and results of operations of the *Canteen* in conformity with generally accepted accounting principles.

In our opinion, the accounts of the *Canteen* are stated fairly as of December 31, 2011. Consequently, the corresponding financial statements prepared by Internal Audit present fairly, in all material respects, the assets and liabilities of the *Canteen* as of December 31, 2011, and the cash receipts, disbursements, and cash balance for the year then ended.

In accordance with *Government Auditing Standards*, Internal Audit has also issued a report dated November 5, 2012 on our evaluation of the *Canteen'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 read in conjunction with this report in considering the results of our audit.

Valentino F. DiGiorgio, III  
Controller

**COUNTY OF CHESTER**

**PRISON CANTEEN FUND**

**STATEMENT OF ASSETS AND LIABILITIES**

**DECEMBER 31, 2011**

**Assets**

Cash – Checking Account	\$ 22,422
Cash – Money Market	1,138,220
Cash – Certificate of Deposit	<u>502,750</u>
Total Assets	<u>\$ 1,663,392</u>

**Liabilities**

Accounts Payable	\$ 89,045
Due to Inmate Fund	136
Restricted Fund Balance	<u>1,574,211</u>
Total Liabilities and Equity	<u>\$ 1,663,392</u>

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

**COUNTY OF CHESTER**

**PRISON CANTEEN FUND**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

Receipts	
Canteen Sales/Commissions/Interest (From Inmate Fund)	\$ 1,008,624
Telephone Commissions	428,775
Miscellaneous Income	6,522
Interest Income	<u>7,296</u>
Total Receipts	<u>1,451,217</u>
Disbursements	
County General Fund	1,193,771
Postage	18,000
Inmate Fund	<u>1,793</u>
Total Disbursements	<u>1,213,564</u>
Cash Increase	237,653
Beginning Balance	<u>1,425,739</u>
Ending Balance	<u>\$ 1,663,392</u>

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

**COUNTY OF CHESTER**

**PRISON CANTEEN FUND**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

***Note 1: Summary of Accounting Policies***

**Background and Reporting Entity**

From March 3, 2005 through June 2, 2010, the prison commissary function was subcontracted to Keefe Commissary Network. As of June 3, 2010, the prison commissary function is contracted to Aramark Correctional Services, LLC. The *Canteen* consists of monies received from commissions on net canteen sales, telephone commissions, and miscellaneous income from car washes, visitor photos, postage sales, copies, and interest earned on the Inmate Fund which is transferred to the *Canteen* account. The *Canteen* Fund account reimburses the Inmate Fund account for any bank service charges, pays for postage advances, and purchases items beneficial to the general inmate population.

**Basis of Accounting**

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

***Note 2 – Legal Matters***

Our audit disclosed no pending litigation that would affect the financial statements involving the Canteen Fund of the Chester County Prison for the year ended December 31, 2011.



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November 5, 2012

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

In planning our audit of the financial statements of the *Canteen* for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the *Canteen'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 *Canteen's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Canteen'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 *Canteen's* financial statements will not be prevented, or detected and corrected on a timely basis.

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 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 management of the *Canteen* in a separate letter dated November 5, 2012. They included the following:

- Authorization with respect to cash disbursements
- Recordkeeping with respect to cash disbursements

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



Valentino F. DiGiorgio, III  
Controller

**COUNTY OF CHESTER**

**PRISON CANTEEN FUND**

**SUMMARY OF EXIT CONFERENCE**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

On October 31, 2012, Warden D. Edward McFadden indicated through a written confirmation that an exit conference would be waived for this year. The findings and recommendations were reviewed and discussed with the Warden, Director of Administration, and the Fiscal Coordinator at a review meeting held on October 25, 2012. Warden D. Edward McFadden has accepted the audit report and management letter as presented.