



Lehigh County
Pennsylvania


OFFICE OF THE CONTROLLER

Mark Pinsley, MBA

Thomas Grogan, CPA

COUNTY CONTROLLER

DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Mark Pinsley, County Controller 
DATE: February 22, 2021
RE: Department of Corrections Inmate Accounts

The Controller's Office has completed a financial audit of the Department of Corrections - Inmate Accounts, County of Lehigh, Pennsylvania for the period January 1, 2019 to December 31, 2019. Our audit report number 21-04 is attached.

The result of our audit is the *Statement of Receipts and Disbursements and Changes in Fund Balance* for the period January 1, 2019 to December 31, 2019 presents fairly, in all material respects, the financial activity arising from cash transactions of the Department of Corrections – Inmate Accounts.

Attachment

AUDITS/DOC - INMATE ACCOUNTS



COUNTY OF LEHIGH, PENNSYLVANIA

DEPARTMENT OF CORRECTIONS

INMATE ACCOUNTS

Financial Audit for the Period January 1, 2019 to December 31, 2019

REPORT NO. 21-04

COUNTY OF LEHIGH, PENNSYLVANIA
DEPARTMENT OF CORRECTIONS
INMATE ACCOUNTS

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COUNTY OF LEHIGH, PENNSYLVANIA
DEPARTMENT OF CORRECTIONS
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Background

The Department of Corrections maintains separate transactions ledgers for the purpose of tracking inmate cash receipts and cash disbursements. Transactions include cash taken at time of incarceration, deposits made on inmate's behalf, earnings from prison job (rates range from \$.75 to \$3.00 per day), commissary purchases, third-party payments on behalf of the inmates, dormant account fees, medical fees, restitution, and distribution of account balances upon release or transfer to another facility. Inmate accounts management is the responsibility of the Department of Corrections.



Janine Donate, Director
Department of Corrections
Lehigh County Prison
38 North Fourth Street
Allentown, PA 18101-2400

Report on Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements and Changes in Fund Balance of the Department of Corrections - Inmate Accounts for the period January 1, 2019 to December 31, 2019 (hereinafter referred to as the Schedules) and the related notes to the Schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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



Opinion on the Schedules

In our opinion, the Schedules referred to above present fairly, in all material respects, the financial activity arising from cash transactions of the Department of Corrections - Inmate Accounts for the period January 1, 2019 to December 31, 2019, in accordance with the U.S. generally accepted accounting principles. **However, we noted control deficiencies or other management issues that are described in the accompanying “Schedule of Audit Findings and Recommendations”.**

As discussed in Note 1, the Schedules were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the Schedules present only the Department of Corrections – Inmate Accounts financial activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of the County of Lehigh for the period January 1, 2019 to December 31, 2019 in conformity with the cash receipts and disbursements basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2021 on our consideration of Department of Corrections – Inmate Accounts’ internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering management’s internal control over financial reporting and compliance.



MARK PINSLEY
County Controller

February 18, 2021
Allentown, Pennsylvania

Audited by: Nanton John

xc: Phillips Armstrong, County Executive
Board of Commissioners
Carol Sommers, Assistant Director of Corrections
Edward Hozza, Director of Administration
Chris Miller, Jail Accountant
Timothy Reeves, Fiscal Officer
Kathleen Warren, Software Development Manager

COUNTY OF LEHIGH, PENNSYLVANIA
DEPARTMENT OF CORRECTIONS
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Statement of Receipts, Disbursements, and Changes in Fund Balance
For the Period January 1, 2019 – December 31, 2019
(Note 1)

Receipts:	
Cash Receipts	\$ 1,181,787
Inmate Payroll	73,903
Other Receipts (Note 2)	<u>1,136</u>
Total Receipts	1,256,826
Disbursements:	
Commissary Sales	878,419
Disbursements	370,373
Other Disbursements (Note 2)	9,550
Medical Fees	6,970
Restitution	<u>586</u>
Total Disbursements	1,265,898
Excess Receipts Over/(Under) Disbursements	(9,072)
Beginning Fund Balance - January 1, 2019	61,301
Ending Fund Balance – December 31, 2019	\$ 52,229

COUNTY OF LEHIGH, PENNSYLVANIA
DEPARTMENT OF CORRECTIONS
INMATE ACCOUNTS

Notes to Financial Statements
For the period January 1, 2019 to December 31, 2019

1. **Summary of Significant Accounting Policies**

A. **Reporting Entity**

The Department of Corrections - Inmate Accounts' financial activity is a part of the County of Lehigh's reporting entity, included in the general fund and is subject to annual financial audit by external auditors. This report is only for internal audit purposes.

B. **Basis of Accounting**

The accounting records of the County of Lehigh and the Statement of Receipts and disbursements and Changes in Fund Balance are maintained on the cash receipts and disbursements basis of accounting. Under this basis of accounting, revenue is recognized when cash is received and expenditures are recognized when paid. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting.

2. **Other Receipts and Disbursements**

Other receipts and disbursements consist of accounting adjustments for the recognition and disposition of dormant account fees and escheatable inmate funds, as well as adjusting entries for inmate processing fees and medical fees reversals.



OFFICE OF THE CONTROLLER

Mark Pinsley, MBA Thomas Grogan, CPA
COUNTY CONTROLLER DEPUTY CONTROLLER

Janine Donate, Director
Department of Corrections
Lehigh County Prison
38 North Fourth Street
Allentown, PA 18101-2400

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 the *Government Auditing Standards* issued by the Comptroller of the United States; the accompanying Statement of Receipts and Disbursements and Changes in Fund Balance of the Department of Corrections - Inmate Accounts for the period January 1, 2019 to December 31, 2019 (hereafter referred to the Schedules) and have issued our report thereon dated February 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered the Department of Corrections - Inmate Accounts' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of management's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department of Corrections - Inmate Accounts' internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity'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 to those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Significant deficiencies or material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Corrections - Inmate Accounts' Schedules 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 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*.

Our audit also included sufficient and appropriate tests for fraud, waste and abuse and we included in our report any material (either quantitatively or qualitatively) instances we noted however, our audit procedures would not necessarily identify all instances of fraud, waste and abuse that may be reportable.

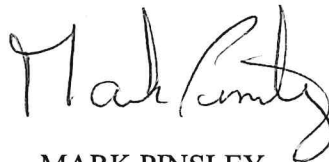
Management's Response to the Audit

We noted certain matters that we reported to management of the Department of Corrections - Inmate Accounts in a separate section titled "*Schedule of Audit Findings and Recommendations*". If provided, the Department of Corrections - Inmate Accounts' response to our audit is included in this report. We did not audit the Department of Corrections - Inmate Accounts' response and, accordingly, we do not express an opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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 solely for the information and use of management, others within the entity, and Phillips Armstrong, County Executive; Edward Hozza, Director of Administration; Board of Commissioners and Timothy Reeves, Fiscal Officer is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



MARK PINSLEY
County Controller

February 18, 2021
Allentown, PA

COUNTY OF LEHIGH, PENNSYLVANIA
DEPARTMENT OF CORRECTIONS
INMATE ACCOUNTS

Schedule of Audit Findings and Recommendations

1. Gaps Identified in Sequential Cash Receipts

Condition: Using auditing software to test the population of receipts issued from January through December 2019, we identified 12 omitted receipt numbers out of the 16,860 cash receipts transactions that occurred during the audit period. Internal control best practices require cash receipts be sequential and that management review, identify, and investigate gaps in sequential cash receipts. Auditor inquiry and investigation determined 10 of the 12 skipped receipt numbers were generated in the “Booking” or “Admissions/Discharge” area of the Jail.

Recommendation:

- The management of the Department of Corrections should review cash receipts on a daily basis to ensure they are sequential. Management should examine gaps in the numbering of cash receipts and attempt to determine the root cause of such instances. Sufficient documentation should be maintained regarding the follow-up. We recommend the review of cash receipt sequences on a daily basis and investigate any discrepancies found.
- Improved communication between “Booking” and “Inmate Account” departments. Majority of the skipped sequences appear to have been generated in the “Booking” area, however Inmate Accounts, on most occasions, was not made aware. Corrections staff should document instances of errors encountered during the booking process that may affect the sequential issuance of cash receipts. This information should then be relayed to the Inmate Accounts department either daily or when they occur.

2. Incomplete Cash Receipt Documentation for Inmate Administrative Transfers Between the Men’s Community Corrections Center and the Jail

Condition: Supporting documentation was incomplete for 4 of the 30 cash receipt transactions tested relating to the booking process. Individuals booked into the jail are required to relinquish their personal property, and receipts issued for funds retrieved. We noted that 2 of the 4 receipts examined were missing for no reason other than possible human error (not administrative transfers), and the other 2 related to inmates being administratively transferred between jail sites. Improper documentation could result in mishandling inmate funds or personal property.

Recommendation: This exception was noted in past audits and is related to a Jail management system (KEA) limitation. Management of the Department of Corrections have acknowledged this control deficiency and assumed the associated risk however, we recommend continued evaluation of the process used to administratively transfer inmates back into the Jail with the department of Information Technology (IT). Cash receipt documentation for inmates who are administratively transferred between locations should include the date of the transaction, a sequential receipt number, the amount of cash received, and proper sign-off by the inmate and corrections officer.



**County of Lehigh
Lehigh County Jail
38 North Fourth Street
Allentown, Pa 18102**

**Janine M. Donate
Director of Corrections**

February 18, 2021

To: Mark Pinsley, County Controller

Re: Response to Schedule of Audit Findings and Recommendations

- 1) We agree with the Findings of missing sequential cash receipts and have already implemented a daily review process of any sequential gaps since 2016 as well as the determination of the causes. The Department of Corrections will evaluate and attempt to further examine the causes of skipped Booking receipts and communicate that to Inmate Accounts who performs the daily review. We feel confident that there is no material weakness in this area given the fact that the omitted receipt rate is less than 1% in the year audited.
- 2) The Administrative team of the Department of Corrections will continue to work with the Department of Information Technology (IT) to eliminate this issue. We currently cannot re-book an inmate transferred between our Work Release site and the Main Jail other than as an administrative transfer without effecting the jail population figures. In the cases that involve cash on such individuals, the current computer process does not allow for a receipt to be printed.

Janine Donate
Janine Donate
Director of Corrections

cc: Chris Miller, Business Manager
File