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Audit Report

**DEPARTMENT OF  
CORRECTIONS -  
COMMUNITY  
CORRECTIONS  
ACCOUNT**

As of July 31, 2014

**Office of the Controller  
County of Northampton  
Pennsylvania**



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November 7, 2014

Members of the Northampton County Council  
John A. Brown, County Executive  
County of Northampton, Pennsylvania

We have completed an audit of the Department of Corrections – Community Corrections Account as of July 31, 2014.

The Executive Summary on page 1 summarizes the audit results, while the Audit Results section provides a detailed explanation.

We acknowledge the cooperation and assistance we received from the Community Corrections management and staff, and the Jail's Accountant. Their help was essential to the performance of this audit.

Management's response is included in the Audit Results section of the report.

Very truly yours,

Stephen J. Barron, Jr., CFE  
County Controller

Paul L. Albert, CIA  
Lead Auditor

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## **EXECUTIVE SUMMARY**

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Overall, the financial transactions and processes for the Community Corrections Account are functioning well. Funds received are deposited into the bank timely and are then disbursed to the proper payees. There is good management oversight of the processes.

The greatest improvement could be attained by making changes to the receipt process. Specifically, cross-training the clerical staff at the main Jail so they could fill in at Community Corrections when someone is out, and reassigning some duties so that management isn't involved in the daily processing of receipts, but rather reconciles receipts to deposits at the end of the process.

A problem that was noted in the audit four years ago still exists but to a lesser degree. The calculation of room and board charges for those inmates that were neither working nor on house arrest is inconsistent and could be improved.

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## INTRODUCTION

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The Community Corrections section of the Jail consists of the Community Corrections Facility (CCF) on South Union St. in Easton and the West Easton Treatment Center (WETC). Inmates in those facilities have the opportunity to obtain work outside the facility. The primary responsibilities of Community Corrections include the work release and house arrest programs. These programs place eligible inmates from the Jail into the community workforce while they are serving their sentence. In return these inmates pay their obligations to third parties such as child support to Domestic Relations, and costs, fines and restitution to the Criminal Division or Magisterial District Courts. Inmates determined by the Jail to be minimum security risks are eligible for Community Corrections and inmates are granted house arrest by a Judge's court order.

The CCF contains 175 beds and houses inmates who are employed or seeking employment. The WETC has a capacity of 100 beds and houses inmates sentenced for DUI or child support. They also house inmates who are employed or seeking employment, plus they provide educational programs to assist inmates in correcting their behavior. When inmates begin employment, they agree that their paychecks will be sent directly to Community Corrections where standard charges are applied. Those standard charges include:

<u>Work Release</u>		<u>House Arrest</u>	
Room and board	\$10 per day	House arrest unit	\$9 per day
Drug testing	\$3 per week	Drug testing	\$10 per week
Laundry (CCF)	\$2 per week		
Laundry (WETC)	\$4 per week		

The Community Corrections agency fund consists of money received from inmates' paychecks and the resulting disbursements from them to the County and third parties. After all deductions are made from inmate paychecks, the remainder of funds are returned to the inmates who must receive a minimum of \$20 per week. During the first seven months of 2014, \$517,000 flowed in and out of the Community Corrections checking account from inmates working or on house arrest. Of that total, \$217,795 represented funds deposited directly into the general fund as County revenue for room and board, etc. Inmate funds are accounted for using the Jail's Offender Management System (OMS) from Digital Solutions, Inc. (DSI). The Jail accountant monitors monthly activity, prepares the bank reconciliation and reports Community Corrections' agency fund activity to Fiscal Affairs monthly.

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## **PURPOSE AND SCOPE**

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The audit was conducted as part of our routine rotation of audits involving Jail operations.

The purpose of the audit was:

- To determine if internal controls over the processing of financial transactions are adequate.
- To determine compliance with policies and procedures, laws and regulations.
- To determine if processes are efficient and effective.

Our scope included receipts and disbursements to the Community Corrections Account that occurred between January 1, 2014 and July 31, 2014, and the reconciliation of the account to the County's financial system as of July 31, 2014.

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## **METHODOLOGY**

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Our methodology included:

- Interviewing management and employees to gain an understanding of the processes.
- Speaking with management to learn their perceived risks and performance measures.
- Reviewing the Jail's policies and procedures.
- Testing a sample of receipt transactions to verify that they were processed correctly, receipts were deposited daily and that the correct fees were charged.
- Testing disbursements to verify that inmates were paid the correct amount, and that payments to third parties were made.
- Reviewing the bank reconciliation process to verify that the figures posted to IFAS are accurate.
- Determining if inmates not working (sitters) are charged the correct room and board by the main Jail upon their release.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## AUDIT RESULTS

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### **Section A – Internal Controls**

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#### **1. Cross-Training for Clerical Staff**

##### **OBSERVATION**

There are two Clerical Technicians in Community Corrections and their duties are distributed to maintain proper segregation of duties. However, the Clerical Technician III who prepares checks to inmates and third parties does not take a full week off because her duties of entering payment data into JMS and preparing checks for inmates and third parties are not performed while she is away. Additionally, the cash receipt functions normally performed by the Clerical Technician I are done by the Clerical Technician III in her absence which represents a segregation of duties conflict.

When a Clerical Specialist in the main Jail is out for a period of time, the Clerical Technician III from Community Corrections goes to the main Jail to perform those duties.

##### **RECOMMENDATION**

To ensure that segregation of duties are maintained and that critical functions are performed when someone is off more than a day or two, Clerical Specialists from the main Jail should be trained to perform the duties of the clerical staff in Community Corrections. Any changes made for cross-training should be documented in the Jail's policy codes.

##### **MANAGEMENT RESPONSE**

##### **Arnold M. Matos, Director of Corrections**

Management agrees with this recommendation. The cross-training has been implemented. A Clerical Specialist in the main Jail has been cross-trained in order to adequately perform the job duties in the absence of the Community Corrections Clerical Tech III. These changes have been noted in the following Jail policies:

- Jail Policy Code No. 2.03 – Community Corrections Receipts
- Jail Policy Code No. 2.04 – Community Corrections Disbursements

## 2. Strengthening the Cash Receipt Process

### OBSERVATION

Receipts are collected from inmates working outside the Jail and the majority of those receipts are checks or money orders received by mail. Receipts are also processed at the reception area of the CCF and WETC for cash or checks brought to those locations. The processes are documented in Jail Policy Code 2.03.

Twenty-five days were selected for testing and with those 25 days, one individual receipt sheet was selected for additional testing. The following items were noted from those 25 receipt sheets:

- The Clerical Tech III who opens the mail and stamps the checks, signed 12 of the 25 receipt sheets indicating that she processed the receipts on those days. According to the Jail's' policy code, they were supposed to be processed by the Community Corrections Coordinator. Because the Clerical Tech III records the transactions in JMS and prepares the checks for payment she should have limited involvement with processing receipts.
- On 17 of 25 receipt sheets, there was no date to indicate when the receipts were received.
- None of the receipt sheets indicated which location the receipts were received.

### RECOMMENDATION

Management should reconsider the method used to process receipts received through the mail. It isn't necessary for the Community Corrections Coordinator to be involved in the recording of receipts, that could be done by the Clerical Technician I. The Coordinator should continue to reconcile receipts once the validated deposit slip is returned from the bank. Receipt sheets should be revised and their completion monitored. Policy codes should be updated to reflect revised procedures.

### MANAGEMENT RESPONSE

#### **Arnold M. Matos, Director of Corrections**

Management agrees with this recommendation. The Clerical Tech I has been assigned the responsibility to process receipts through the mail. The receipt sheets have been revised and their completion will be monitored by the Community Corrections Coordinator. This change has been noted in Jail Policy Code 2.03 – Community Corrections Receipts.

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## **Section B – Compliance**

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### **1. Room and Board Owed by Released Inmates**

#### **OBSERVATION**

Jail Policy Code No. 2.12, Section III.H. “Resident Payments to Community Corrections” states that “residents housed in the community corrections facility, but not participating in the Community Corrections Program, will be responsible for payment of the room and board at a rate of \$10 per diem to the Northampton County Department of Corrections.” Inmates housed in Community Corrections are discharged through the main prison where room and board charges are applied to their account.

A sample of ten inmates discharged from the Community Corrections facility was chosen. Some of these inmates were “sitters” and did not work at all while others worked during a part of their time there. Room and board was calculated correctly for four inmates, was calculated within a day or two for three inmates and was understated by at least \$100 for three inmates. The charges are calculated by the Officer that releases the inmate and five different Officers were involved in the release of the ten inmates tested.

#### **RECOMMENDATION**

The Corrections Officers in the main Jail that calculate and charge room and board should receive additional training on the method used to calculate the charges. The calculation is done manually; it isn’t a function performed by the computer system.

#### **MANAGEMENT RESPONSE**

##### **Arnold M. Matos, Director of Corrections**

Management agrees with this recommendation. Proper procedures for this calculation have been typed out and formal training on the procedures will be held for each officer assigned to perform this function.

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## **Section C – Issues Resolved During Fieldwork**

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Throughout the audit process it was evident that the Deputy Warden of Community Corrections and the Community Corrections Director were committed to making their fiscal operations run as efficiently and effectively as possible, and were eager to correct any deficiencies that we noted.

The following area needing corrective action was identified in the preliminary phase of the audit and management corrected this deficiency before the audit was complete:

### **1. Updating Policies and Procedures**

#### **OBSERVATION**

The Jail's Policy Codes 2.03 "Community Corrections Receipts", 2.04 "Community Corrections Disbursements" and 2.10 "Receiving of Inmate Funds" were neither complete nor up-to-date.

#### **CORRECTIVE ACTION TAKEN**

The Policy Codes were updated and made available to those employees of the Jail who use them.

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## **Section D – Best Practices**

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### **1. Validation of Duplicate Bank Deposit Slip**

The staff developed the practice of sending the yellow office copy of the deposit slip along to the bank so it could be validated by the bank. If a correction is made to the deposit by the bank, they normally make the correction on both the white copy for their records and on the yellow copy before validating it. This provides the Jail with documentation of any corrections that the bank made to the deposit, such as if the cash/check breakdown didn't agree. These corrections are reviewed and researched by the Community Corrections Coordinator when he reviews the packet of receipt sheets with the validated deposit slip.