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Audit Report

**DEPARTMENT OF
CORRECTIONS -
COMMUNITY
CORRECTIONS
ACCOUNT**

As of July 31, 2017

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



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December 7, 2017

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, 2017.

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. 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

Table of Contents

	<u>PAGE</u>
EXECUTIVE SUMMARY	1
INTRODUCTION	2
PURPOSE AND SCOPE.....	3
METHODOLOGY	3
AUDIT RESULTS	4
<u>Section A – Internal Controls</u>	
1. Monthly Preparation of Bank Reconciliations	4
<u>Section B – Policies and Procedures</u>	
1. Updating Manuals for Inmates Paid by Direct Deposit	5
<u>ISSUES RESOLVED DURING FIELDWORK</u>	
1. Reconciliation of Funds at West Easton Treatment Center.....	6

EXECUTIVE SUMMARY

Overall, the daily processing of financial transactions for the Community Corrections Account is 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.

A major concern that surfaced this year is that bank reconciliations have not been performed since March 2017. This coincided with the Jail Accountant accepting a new position in Fiscal Affairs and no one performing this periodic, independent review of the bank account. This responsibility should be assigned to another accountant if the position is not filled or if the former Jail Accountant does not have the time to do this.

A change brought about by technology is the direct deposit of inmate pay instead of paper checks being sent directly to the Community Corrections Facility by the employers. This change should be documented in the Inmate Handbook and the Receipts Policy Code so that both inmates and staff know what is expected of them when this occurs.

Finally, a recommendation to improve accountability when picking up receipts at the West Easton Treatment Center was presented to Jail management. They took immediate action and implemented our recommendation.

INTRODUCTION

The Community Corrections section of the Jail consists of the Community Corrections Facility (CCF) on South Union Street in Easton and the West Easton Treatment Center (WETC) on Main Street in West Easton. 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 house arrest is granted to inmates by a Judge's court order.

The CCF contains 175 beds and houses inmates who are employed or seeking employment; however, the first floor is currently vacant because of a lack of staffing. The WETC with 120 beds is near capacity and houses inmates sentenced for DUI or child support. The WETC also houses inmates who are employed or seeking employment, and they provide educational programs to assist inmates in correcting their behavior. When inmates begin employment, they agree to have their paychecks sent directly to Community Corrections where standard charges are applied. However, some employers only pay by direct deposit, creating more work for the field officers and Work Release Coordinator to make sure those inmates turn that money over to Community Corrections to pay for their weekly charges. 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 taken from inmate paychecks, the remainder of funds is returned to the inmates who must receive a minimum of \$20 per week. During the first seven months of 2017, \$253,847 in revenue was deposited directly into the general fund as County revenue, representing the charges listed above. This was an increase of \$31,920 from the same period in 2016, and is attributed in part to a good economy and more qualified inmates working. Inmate funds are accounted for using the Jail's Offender Management System (OMS) from Digital Solutions, Inc. (DSI). The Jail accountant's monthly responsibilities include monitoring monthly activity, preparing the bank reconciliation and recording Community Corrections' agency fund activity to the County's automated financial system.

PURPOSE AND SCOPE

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, 2017 and July 31, 2017.

METHODOLOGY

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 the County's financial system are accurate.
- Determining if inmates not working (sitters) are charged the correct room and board by the main Jail upon their release.

Our review included an assessment of internal controls in the audited areas. Any significant findings related to internal controls are included in the Audit Results section of the report.

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.

AUDIT RESULTS

Section A – Internal Controls

1. Monthly Preparation of Bank Reconciliations

OBSERVATION

The bank reconciliations for the Community Corrections checking account have not been performed since March 2017. This means that data on the County's financial system has also not been updated since that time. That date coincides with the time when the Jail's accountant accepted an accounting position in Fiscal Affairs. Since that time, he has not had time to complete all of the responsibilities required of the Jail's accountant. His position at the Jail remains vacant.

RECOMMENDATION

The timely preparation of bank reconciliations is a very important control over bank accounts. If management decides not to fill the Jail accountant position, Fiscal Affairs should make other provisions to ensure that the bank reconciliations are prepared and approved monthly.

MANAGEMENT RESPONSE

Daniel Keen, Director of Corrections

We concur that the timely preparation of bank reconciliations is a very important control over bank accounts. The jail accountant position became vacant and although the Fiscal accountants attempted to keep them current they got slightly behind during that time period. Fiscal is working diligently to bring all jail accounts reconciled and approved and current by years-end. In addition, the jail accountant position has been posted and Fiscal Affairs is actively looking to fill that position as quickly as possible which would ensure that the bank reconciliations are prepared and approved monthly.

Section B – Policies and Procedures

1. Updating Manuals for Inmates Paid by Direct Deposit

OBSERVATION

For many years, inmates employed in the work release program were paid by employer checks, which were sent directly to the CCF. In recent years, more employers are paying inmates by direct deposit, which increases the workload for Community Corrections staff who must make sure that the inmates then turn that money over to Community Corrections. The *Community Corrections Inmate Handbook* does not address inmates being paid by direct deposit or that the inmates must then turn that money over to the CCF. In addition, Policy Code 2.03 *Community Corrections Receipts* does not address the procedures that should be followed by staff to ensure that inmates turn those funds over to CCF.

RECOMMENDATION

As Jail management continues to address the changes brought about by the direct deposit of inmate paychecks, the *Community Corrections Inmate Handbook* and *Community Corrections Receipts Policy Code* should be updated to reflect that method of payment.

MANAGEMENT RESPONSE

James Kleinman, Community Corrections Coordinator

In Section IX of the Community Corrections/West Easton Handbook, language has been inserted to clarify this. The revised paragraph will read: “All paychecks will be mailed directly from the employer to the Community Corrections Facility. Additionally, when a resident is paid by Direct Deposit or Pay Card, they shall submit a copy of their paycheck along with a money order on their regular payday.”

This revision will be included in the updated CCF/West Easton Handbook. The handbook will be made available to the Controller’s Office when updated in early 2018.

ISSUES RESOLVED DURING FIELDWORK

1. Reconciliation of Funds at West Easton Treatment Center

OBSERVATION

Receipts collected at the WETC are locked in a safe that requires opening by both a clerical technician and a corrections officer. Bi-weekly one of the clerical technicians from the CCF picks up those receipts and the corresponding receipt sheets, and brings them back to the CCF where they are reconciled and a deposit is prepared. If a difference occurs between the reconciliation of the receipts and receipt sheets, there is no way to pinpoint how or when that difference occurred.

RECOMMENDATION

Funds retrieved from the safe should be reconciled to the receipt sheets in the presence of a corrections officer before they are removed from the WETC. This will provide accountability for the receipts, and protect both the corrections officer and the clerical technician if a difference should occur.

CORRECTIVE ACTION TAKEN

We told Jail management about this in our preliminary audit meeting and they immediately took action to put this procedure into place. We verified with the clerical technician that this reconciliation is now completed at the WETC in the presence of a corrections officer.