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Audit Report

**DEPARTMENT OF  
CORRECTIONS -  
INMATE PERSONAL  
PROPERTY ACCOUNT**

As of April 30, 2013

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



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August 27, 2013

Members of the Northampton County Council  
John Stoffa, County Executive  
County of Northampton, Pennsylvania

We have completed an audit of the Department of Corrections – Inmate Personal Property Account as of April 30, 2013.

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 Department of Corrections' staff, especially the Jail's Accountant. Their help was essential to the performance of this audit.

Our report was discussed with management at our exit conference on August 26, 2013. 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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The Department of Corrections (Jail) is charged in their fiduciary capacity with ensuring that inmate funds are properly safeguarded and accounted for. This is accomplished through written policies and procedures, adequate internal controls and effective supervisory oversight. Our audit showed that these dynamics are in place and that inmate funds are properly secured and accounted for.

However, the cost of maintaining and escheating dormant inmate accounts would be minimized by increasing the monthly administrative fee charged to those accounts. That would also draw-down inmate balances sooner, reducing work for the Jail's Accountant and increasing County revenue.

Internal controls over cash receipts and bank deposits would be further enhanced if the bank provided evidence to the Jail that the amount of cash written on the deposit slip equaled the amount of cash in the deposit.

Additional information on this audit is available in the remainder of this report.

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## INTRODUCTION

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The Jail maintains an Inmate Personal Property Account for funds belonging to inmates who are incarcerated. The process begins in central booking where an account is established in the Offender Management System by Digital Solutions, Inc. (DSI) for any funds an inmate has with them when they're booked. Family members may also send money orders to the Jail for credit to the inmates' account and money may be earned by inmates for working within the Jail. Inmates may then use that money to make purchases from the commissary, to send money out to designated family members, and to pay for cost recovery items such as medical visits, haircuts, and room and board. Upon release, checks are mailed to inmates for any funds remaining in their account after cost recovery fees are paid. If a check is returned to the Jail because the address was not correct, the money goes back into the inmate's account and the account is subject to a monthly administrative fee until the funds are turned over to the Commonwealth after five years.

The Inmate Personal Property Account funds are maintained in a separate bank account and are accounted for on the County's financial system as an Agency Fund. An Agency Fund is used to account for assets held by a government on behalf of individuals, other governments or agencies. As of April 30, 2013, the checking account at Lafayette Ambassador Bank had a balance of \$36,168.

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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 Inmate Personal Property Account that occurred between May 1, 2012 and April 30, 2013, and the reconciliation of inmate funds to the County's financial records as of April 30, 2013.

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## METHODOLOGY

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Our methodology included:

- Interviews with Jail personnel.
- Review of applicable policies and procedures.
- Testing receipts, disbursements and activity to inactive accounts.
- Reviewing monthly bank reconciliations and reconciliation to DSI.
- Review of the process for inmate payroll.
- Researching whether it's legal to apply funds in inactive accounts to money owed by the inmates in the Criminal Division.

We relied on computer-processed data contained in DSI to research the history of inmate accounts, test receipts and disbursements, and reconcile the bank balance to DSI. The reliability of the application controls over DSI was tested under a separate audit and the controls were found to be strong.

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 – Economy and Efficiency**

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#### **1. Administration of Dormant Inmate Accounts**

##### OBSERVATION

Our Solicitor determined that funds from dormant accounts cannot be used to pay costs and fines owed by inmates in the Criminal Division, in lieu of escheating the funds to the State. At the point the funds cannot be returned to inmates, they are deemed abandoned and are subject to the laws of the PA Department of Treasury.

An inmate account becomes dormant or inactive when after the inmate is released, funds in their account cannot be returned to them. This could occur because the check sent to them was returned by the postal service as undeliverable, the inmate did not provide a complete address or the inmate was released to the custody of immigration services. After five years, the funds must be turned over to the PA Department of Treasury, Bureau of Unclaimed Property.

As of May 31, 2013 there were 57 inactive accounts totaling \$6,332.91. To better manage these accounts, the Jail charges a monthly administrative fee of one dollar after the account has been inactive for three months, up until the balance in the account is depleted or escheated to the State after five years. Monthly the Jail's Accountant runs a report of released inmates that have a balance in their account, researches the accounts, applies the administrative fee to each account and turns over the total administrative fees assessed to the County as revenue in the Jail's account. It is a time-consuming process for the Accountant each month.

##### RECOMMENDATION

To compensate the Jail for the time spent by the Accountant in managing inactive accounts and to draw down on the balances more quickly, the Jail administrators should consider increasing the monthly administrative fee to three or five dollars per month. The administration should seek approval from both the Jail's Advisory Board and County Council before the new fee is put into effect.

MANAGEMENT RESPONSE

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

Management concurs with recommendations to increase the monthly administrative fee. Management has modified NCP Policy No. NCP-2.05 to reflect recommended changes.

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## **Section B – Internal Controls**

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### **1. Validation of Cash on Bank Deposits**

#### **OBSERVATION**

The office copy of the bank deposit slip was not validated by the bank for any of the 25 deposits tested. This validation would provide evidence that the amount of cash listed on the bank deposit slip equals the amount of cash actually deposited.

No exceptions were noted with receipt testing – total receipts were deposited intact and validated receipts were present from the bank stating the total amount deposited. However, another procedure could be implemented with the cooperation of the bank to help detect fraud. The Jail could send along their duplicate deposit slip and ask the bank to validate it as proof that the amount of cash listed on the deposit slip equals the amount of cash received by the bank. Validating cash would detect if someone was substituting checks for cash in a deposit, such as with a lapping scheme. This process was discussed with the Jail's Accountant and he was not aware that the bank would validate cash in this manner. The bank is already doing this for at least one other County office.

#### **RECOMMENDATION**

Management at the Jail should discuss the validation of deposits with officials from the bank. Review of the validated deposit slip should then become part of the Accountant's reconciliation process for receipts and deposits, and should be documented in the Jail's policies and procedures manual.

#### **MANAGEMENT RESPONSE**

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

Management agrees with recommendation. Accountant to contact bank to implement procedure.

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## **ISSUES RESOLVED DURING FIELDWORK**

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Throughout the audit process – from the preliminary gathering of information to the testing phase – it was evident that Jail staff 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 areas where immediate attention was directed include the following:

- The clerical technician who prepares checks no longer runs the DSI report that determines which inmates were released and are owed funds.
- The Jail's disbursement manual was updated to make it more comprehensive, reflecting policies and procedures set by management.
- The processes of opening mail with money orders on the 3<sup>rd</sup> shift and entering the payment information into DSI is now segregated between two different officers.

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## **BEST PRACTICES**

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### **1. Inmate Payroll**

Inmate payroll was reviewed and found to be working effectively. Approximately 100 inmates each day perform duties in the main Jail, Community Corrections and the West Easton Treatment facility and are paid anywhere from \$1 to \$3 a day. The money they earn is deposited into their inmate account monthly where it may be used to make purchases from the commissary. The monthly cost of inmate payroll which is approximately \$5,100 is paid out of the Jail's operating account in the General Fund.

### **2. Bank Reconciliations**

Bank reconciliations are performed monthly by the Jail's Accountant and reviewed by either the Director of Corrections or the Warden. The calculated book balance is agreed to the bank balance, the cash amount in the agency fund on IFAS and the checking account balance on the DSI general ledger. Checks that have been outstanding longer than one year are turned over to Fiscal Affairs every December so they could be escheated.

### **3. Compliance with Policies and Procedures, Laws and Regulations**

Testing was performed to determine if the Jail was in compliance with applicable sections of the Inmates' Handbook, the Jail's Policies and Procedures Manual, and State laws dealing with unclaimed property. We found that the Jail was in compliance with all of these regulations.