

Lancaster County Prison Audit Report

Financial Affairs

For the period of January 1, 2018 through December 31, 2018



Brian K. Hurter, CPA
Lancaster County Controller

Lancaster County Prison Audit
For the period of January 1, 2018 through December 31, 2018

TABLE OF CONTENTS

	<u>Page(s)</u>
Audit Letter to Cheryl Steberger, Lancaster County Prison Warden	
Relevant Audit Notes	1-3
Audit Findings and Observations	4-6
Audit Recommendations	7
Audit Summary of Facts	8
Audit Responses	9-11



Controller's Office

150 North Queen Street
Suite #710
Lancaster, PA 17603
Phone: 717-299-8262
www.co.lancaster.pa.us

Controller

Brian K. Hurter, CPA

July 30, 2019

Cheryl Steberger, Warden
Lancaster County Prison
625 East King Street
Lancaster, PA 17602

Dear Ms. Steberger:

Attached is the report for the audit of the financial affairs of the Lancaster County Prison ("Prison"), prepared by the Lancaster County Controller's Office. Our annual examination procedures were performed covering the period of January 1, 2018 through December 31, 2018, which covers the 2018 fiscal year. We have tested and audited the financial affairs pertaining to the Prison's Inmate General Welfare Fund and Commissary Store Account, as well as the related capital projects and contracted services accounts, for purposes of satisfying Pennsylvania Code Chapter 95, Regulation 95.239. We hope to provide recommendations for improvement to internal control, as well as continued efficiency over the Prison's operations. Additionally, we hope our recommendations can help the processes for storage, filing, and review of the documents located at the Prison. It is the responsibility of the Prison's management to ensure the operations and financial affairs are in compliance with applicable laws. We do not express an opinion or provide any assurance on the information examined because the limited procedures executed do not provide us with sufficient evidence to express an opinion. We did, however, note some instances that warrant mention and recommendations for correction and/or improvement, and they are described in the Findings and Observations section of this report.

Our responsibility is to audit the specific Prison accounts listed above, and to report the results of the audit to the Lancaster County Commissioners, the Lancaster County Prison Board, and the Lancaster County Prison Administration.

We acknowledge the cooperation and assistance that we received from the Lancaster County Prison personnel. The help from the Prison staff was instrumental to the performance of this audit.

This report is intended for the information and use of the Lancaster County Prison Administration, the Lancaster County Board of Commissioners, and the Lancaster County Prison Board and it not intended and should not be used by anyone other than these specified parties without consent. However, public policy dictates that this report is a matter of public record and its distribution is not limited.

Sincerely,

Brian K. Hurter, CPA
Lancaster County Controller
mw

cc: Lancaster County Board of Commissioners
Lancaster County Prison Board



Lancaster County Prison
Relevant Audit Notes
For the period January 1, 2018 through December 31, 2018

Note A – PRISON MISSION STATEMENT

The mission of the Lancaster County Prison is to provide for the humane and secure care, custody and control of those individuals who are charged with criminal offenses, while also providing for the protection and safety of the community through the detention of such individuals.¹

Note B – DESCRIPTION OF PRISON

The Prison, located at 625 East King Street in the City of Lancaster, is a County owned and operated facility, and it is governed by the Lancaster County Prison Board, which is comprised of the County Commissioners, President Judge, District Attorney, Sheriff, and Controller. The Warden of the Prison is Cheryl Steberger, the Deputy Warden for Operations is Robert Wolfe, the Deputy Warden for Inmate Services is Joe Shiffer, the Major is William Aberts, and the Director of Administration is Tammy Moyer. Warden Cheryl Steberger has been in her role since March 2016. The Prison acts as the custodian of those being held in custody pending the result of his/her charges and those who are sentenced to imprisonment for two years or less.

The Prison is a fundamental part of the operations of the County of Lancaster, and it conducts many programs which are necessary to help address the issues, addictions, and the educational needs of the inmates in custody. These programs are adapted based on the needs of the inmates and the evolving provisions of the law.

The Warden manages the Prison with the help of her Deputies, Major, and Director of Administration. The Warden oversees the activities of the Prison's staff, including correctional officers, supervisors, unit managers, and administrative and support staff. The Warden indirectly manages all Prison staff to ensure the safety and security at the Prison. It is also the responsibility of the Warden to maintain the proper treatment of inmates, which includes the care, custody, and control of those inmates.

The Prison's management and its Prison Board believe in the rehabilitation of those in custody. As of December 2018, the official capacity at Lancaster County Prison was 1,102. The average number of inmates throughout 2018 was 873. June saw the highest number of inmates with 936 on average, while January saw the lowest number of inmates with 808 on average. It is necessary to identify issues relating to the inmate's criminality and to implement, maintain, and monitor programs that will prepare the inmates to confront these issues in a constructive manner. The Prison attempts to prepare inmates to return to society as contributing and productive members.

¹ Taken directly from Prison's website (<http://www.co.lancaster.pa.us/153/Prison>)

Lancaster County Prison
Relevant Audit Notes (*Continued*)
For the period January 1, 2018 through December 31, 2018

Note C – SCOPE AND PROCEDURES OF AUDIT

The period of review is January 1, 2018 through December 31, 2018, which covers the 2018 fiscal year.

A sample of receipts and expenses for the Inmate General Welfare Fund and Commissary Store Account, as well as the related capital projects and contracted services accounts were selected for the 2018 year and numerous procedures were performed to test the accuracy, proper approval, account coding, and allowability of those transactions.

Note D – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Prison reports on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when received and expenses are recognized when the disbursement is made.

Note E – STATUS OF PREVIOUS AUDIT FINDINGS, OBSERVATIONS, AND RECOMMENDATIONS

On July 20th, 2018, the Lancaster County Controller issued an audit report to the Warden of the Lancaster County Prison. This audit report was for the period of January 1, 2017 to December 31, 2017. The audit report noted four findings along with four recommendations. Individuals can refer to that audit report for a description of the prior year findings, observations, and recommendations. During the current audit, we reviewed the status of the 2017 audit findings, observations, and recommendations that related to the financial affairs of the Prison to ensure the operations are continuing to move forward in a manner that promotes the Prison to be more efficient, and to allow the Prison administration to be more diligent, in all aspects of the Prison's essential operations.

Regarding the recommendations described in the audit for the 2017 year, which specifically pertained to the financial affairs of the Prison, the Prison administration has fulfilled all suggested recommendations. The Prison fulfilled audit recommendation 1 by developing an electronic Interdepartmental Receipt Form. The Prison fulfilled audit recommendation 2 by instituting a new process for daily deposits. The Business Manager or Director of Administration review the daily deposit, including reviewing the checks for proper endorsements. The Prison fulfilled audit recommendation 3 by developing a list of responsibilities and duties of the employees in the business office and have defined these responsibilities and duties in the job descriptions. The Prison fulfilled audit recommendation 4 by implementing an annual review of all Purchase Orders funded by Escrow accounts to ensure the funds were properly used.

Lancaster County Prison
Relevant Audit Notes (*Continued*)
For the period January 1, 2018 through December 31, 2018

Note E – STATUS OF PREVIOUS AUDIT FINDINGS, OBSERVATIONS, AND RECOMMENDATIONS (*Continued*)

The Inmate Records were not included during the 2017 audit to allow the Prison records department time to implement any prior year audit recommendations. However, an audit of the Inmate Records will be completed in 2019. Any prior year audit remarks and any current year audit observations, findings, and/or recommendations will be included in a separate audit report to be issued at a later point.

Note F – OBSERVATIONS, FINDINGS, RECOMMENDATIONS, AND MANAGEMENT’S RESPONSES

The Controller reported certain observations and findings along with recommendations for improvement as a result of the examination performed over the transactions of the Inmate General Welfare Fund and Commissary Store Account, as well as related capital projects and contracted services accounts. The Warden provided responses to these observations, findings, and recommendations. The sections detailing both follow this note.

Lancaster County Prison
Audit Findings and Observations
For the period January 1, 2018 through December 31, 2018

This section of the report presents the findings and observations that resulted from our annual examination. Following the findings and observations, we provide recommendations to correct or better the described occurrences.

Finding 1 – Missing Interdepartmental Receipt Form and/or Back-up:

Background:

The County of Lancaster requires departments to receipt any monies collected with an Interdepartmental Receipt Form (“IDRF”). Once it has been completed and approved by the appropriate individuals in each department, the IDRF is submitted to the Lancaster County Controller’s and Treasurer’s Offices. This form is subsequently used to record the receipted monies on the County’s financial system, PeopleSoft. The County of Lancaster has developed specific accounting codes on PeopleSoft for the Prison to utilize for when receipts are being recorded.

Description:

During the audit of the 2018 fiscal year, a sample of twenty-five receipts were tested from both the Inmate Welfare and Store Accounts. A series of procedures were performed for these receipts to test for accuracy, account coding, and tracing the receipt detail recorded on PeopleSoft to the back-up and bank statement. We discovered that there were three sampled receipts in the audit that the Prison had either a missing IDRF copy or missing back-up when it was requested to be reviewed by the audit staff. When the back-up was missing, the Prison was able to re-print and provide a different report, but the missing IDRF was not able to be located.

Finding 2 – Interdepartmental Receipt Form Missing Approval Signature:

Background:

The County of Lancaster requires departments to receipt any monies collected with an Interdepartmental Receipt Form (“IDRF”). Once it has been completed and approved by the appropriate individuals in each department, the IDRF is submitted to the Lancaster County Controller’s and Treasurer’s Offices. This form is subsequently used to record the receipted monies on the County’s financial system, PeopleSoft. IDRFs are supposed to be prepared and approved by two separate individuals, which allows for the individual who prepared the IDRF to have their work reviewed and provides a segregation of duties so that one individual is not preparing and approving the same documentation.

Lancaster County Prison
Audit Findings and Observations (*Continued*)
For the period January 1, 2018 through December 31, 2018

Finding 2 – Interdepartmental Receipt Form Missing Approval Signature (*Continued*):

Description:

During the audit of the 2018 fiscal year, a sample of twenty-five receipts were tested from the Store Account. A series of procedures were performed for these receipts to test for accuracy, account coding, and tracing the receipt detail recorded on PeopleSoft to the back-up and bank statement. There was one receipt where the copy of the IDRf in the Controller’s Office did not have an approval signature on it.

Finding 3 – Receipt Does Not Include Sufficient Vendor Information:

Background:

The County of Lancaster Controller’s Office has created a voucher form for departments to complete when seeking an expense reimbursement. The requesting department will complete a section detailing the vendor information, where to code the expense on PeopleSoft, the County’s financial management software, and a specific individual or individuals in that department will approve and date the voucher form. Once completed and approved, the voucher form will be sent to the Controller’s Office for payment.

Additionally, in some instances departments or an individual can request a payment advancement. The department or individual will submit a voucher request for the advance, and the Accounts Payable department will issue a check. The requesting department or individual is required to fill out an expense report and settlement sheet and return those items and any unused funds to the Controller’s Office within a two-week period that is set by the Controller’s Office.

Description:

During 2018, an individual at the Prison created a voucher form for an advancement for books for the Prison inmate library. The back-up that was submitted for this request was a receipt with no vendor information on it. The only information on the back-up was “413 Books” with a total of \$800.00 – the exact amount of the requested advancement. It is unknown where the books were purchased, if “413” was the number of books or something else, or any other relevant details that may have been necessary. Without the appropriate vendor detail and clear designation of the use of the funds, it increases the risk of any potential fraudulent activity.

Lancaster County Prison
Audit Findings and Observations (*Continued*)
For the period January 1, 2018 through December 31, 2018

Finding 4 – Not Enough Monies Transferred in for Capital Project/Contracted Services:

Background:

On PeopleSoft, the County's financial management software, departments have accounts that are used to record receipts and expenditures, which in turn assists the County in preparing the financial statements. The Prison has a specific account designated for capital projects and contracted services. When capital projects and contracted services arise, the Prison requests a transfer of monies from the Store Account into the capital projects and contracted services accounts and purchase orders can be paid from these accounts. The Prison can continually request transfers of monies into the account, but once the year-end adjustments occur, the Prison cannot request transfers of the monies out of the account.

Description:

When testing the capital projects and contracted services accounts, we sampled ten expenses from multiple projects and services. During the testing of these projects and services, we reviewed the monies transferred in for the capital projects and contracted services and compared that amount against the monies transferred out to pay for the purchase orders for those projects and services. One of the capital project/contracted services accounts did not transfer in enough money to cover the purchase order, and while the project continued from a prior year, it did not continue into the subsequent year. The Prison did not request a transfer of additional monies to cover the expenses. This is a re-occurring finding for the Prison.

Lancaster County Prison
Audit Recommendations
For the period January 1, 2018 through December 31, 2018

In the preceding section of this report, we listed findings and observations from our examination. This section of the report presents the recommendations we have provided to correct or better the described occurrences listed in the Audit Findings and Observations.

1. Perform a documentation audit at the end of each month to verify all IDRFs and back-up have been appropriately saved and filed. Additionally, all back-up can be scanned to the server when the IDRf is completed so if any paper is lost, a back-up can always be printed.
2. Continue to properly review and endorse all IDRFs to verify coding is appropriate and all necessary signatures have been obtained. IDRfS should always be completed and approved by two separate individuals to provide for a segregation of duties.
3. Review all back-up before it is submitted to the Controller's Office to verify it is sufficient for any possible future reviews. Sufficient back-up would be detailed and at a minimum include a vendor name, total of items purchased and purchase price per item (if multiple items), and any other relevant details that the individual may determine necessary.
4. The Prison should get approval for the estimated total cost of the capital project/contracted service at the start of the project and transfer the monies for that project from the Store Account to the appropriate capital project/contracted service account. When a capital project/contracted service is completed, the Prison should verify that the amount spent was in accordance with the amount of the purchase order.

Lancaster County Prison
Audit Summary of Facts
For the period January 1, 2018 through December 31, 2018

We have performed specific procedures to assist in evaluating internal control and continued effectiveness of the Lancaster County Prison for the 2018 fiscal year. Our procedures performed were created to satisfy Pennsylvania Code Chapter 95, Regulation 95.239. The purpose of this audit was to specifically test the transactions of the Prison's Inmate General Welfare Fund and Commissary Store Account, as well as related capital projects and contracted services accounts.

Reportable conditions involved issues coming to our attention relating to significant deficiencies or non-compliance that could adversely affect the Prison records. These conditions could adversely affect the Prison's ability to record and report financial data consistent with those standards of management. While conducting our audit, we noted findings, observations, and issues of non-compliance which are described in the Audit Findings and Observations section above. None of the findings or observations led us to believe that significant deficiencies had occurred.

We sampled transactions from specific Prison accounts to ensure they are executed in accordance with management's approval. Inherent limitations in any internal control structure can cause errors or irregularities to occur and not be detected. Our testing would not necessarily disclose all matters in the internal control structure that might be reportable conditions. In future audits, we will continue to re-evaluate the internal control structure to ensure that policies and procedures do not become inadequate or ineffective because of changes in conditions or design.

We conducted our audit to obtain a reasonable understanding about whether the Prison accounts tested are free of material misstatement, to adhere to Pennsylvania Code Chapter 95, Regulation 95.239, and to determine the accuracy of specific receipts and expenses. We did not express an opinion or provide any assurance on the information examined because the limited procedures executed do not allow us sufficient evidence to express an opinion.

Lancaster County Prison
Audit Responses – July 30, 2019
For the period January 1, 2018 through December 31, 2018

This section of the report presents responses from the Lancaster County Controller's Office to the responses received from the Warden on July 18, 2019 in regards to the Lancaster County Prison draft audit, which was sent to the Prison on July 10, 2019.

- A. In response to Finding #1: In concurrence with the Controller's Office recommendation, the Prison will begin scanning all IDRf documentation and back-up to the County server. This process will reduce the risk of documentation being misplaced in human error. The Prison Business Manager will also begin a monthly IDRf audit to ensure all proper documentation has been retained and scanned to the County server.

Controller's Office Response: The Controller's Office re-affirms our finding and recommendation and we will monitor this finding in future audits of the Lancaster County Prison. Additionally, we acknowledge the willingness of the Prison staff to implement additional procedures to reduce the risk of human error.

- B. In response to Finding #2: Lancaster County Prison financial staff will continue to review all IDRf forms for completeness before they are processed. If an IDRf form is completed by the Inmate Accounts Clerks, then the Business Manager's approval is required. If an IDRf form is completed by the Business Manager, then the Director of Administration's approval is required. If an IDRf is completed by the Director of Administration, then the Warden's approval is required. This chain of approval will ensure that all IDRf forms are completed and approved by separate individuals. This chain of approval was established in 2018.

Controller's Office Response: The Controller's Office re-affirms our finding and recommendation and we will monitor this finding in future audits of the Lancaster County Prison. It is rewarding to see the Prison has already established a chain of approval, and we applaud their efforts in their continuation of reviewing and monitoring their documentation. It is not only important from an audit prospective, but from a record retention prospective as well.

Lancaster County Prison
Audit Responses – July 30, 2019 (*Continued*)
For the period January 1, 2018 through December 31, 2018

- C. In response to Finding #3: The Prison financial staff recognizes that the results of this finding creates the possibility for fraudulent activity. The purchase in question in this finding was for books to stock the Inmate Library. The books were purchased from a local library during a book sale event that the library was hosting. The receipt provided from the library did not have sufficient information in regards to items purchased or vendor information. In the future, Prison financial staff will review all documentation surrounding these types of purchases to ensure that all proper vendor criteria are met prior to submission.

Controller's Office Response: We appreciate the Prison informing us of the details of the expense purchase and we acknowledge their recognition of the possible results of a finding of this nature. We re-affirm our finding and recommendation.

- D. In response to Finding #4: The Prison now fully understands the process which is to take place in terms of account transfers. Prison financial staff misunderstood that expenses above and beyond the amount transferred from the capital projects/contracted services accounts could not be paid out of the Prison expense account. To prevent this from being a re-occurring issue on future audits, the Prison will be implementing a spreadsheet to track these transfers. This tracking form will enable Prison staff to review these expenses to ensure that the proper amount was transferred for the project. This will also ensure any remaining funds, once the project is complete, will be transferred back into escrow. The Prison will also continue to get approval for estimated expense costs for these projects prior to the start to the project as recommended by the Controller's Office.

Controller's Office Response: We acknowledge the thoroughness of the Lancaster County Prison staff in their efforts to better understand complex policies and procedures. The Controller's Office is willing to be of any assistance in the future in regards to this finding. We re-affirm our finding and recommendation.

Lancaster County Prison
Audit Responses – July 30, 2019 (*Continued*)
For the period January 1, 2018 through December 31, 2018

Controller’s Office Summary:

With each audit that is completed, we believe that the Prison operations have continued to improve. This is a direct result of the Warden and her staff’s willingness to implement audit recommendations, and make positive changes to ensure everything is completed to the fullest extent possible. Each year, we believe that the Prison Administration is continuing to move forward in a positive direction. The openness and professionalism of the Warden, along with her staff, shows the Prison is united in continuing their dedication to providing the best possible service to the inmates of the Lancaster County Prison. We will monitor our findings and recommendations in future audits to ensure the recommendations are being properly adhered to and the findings are not reoccurring from a prior year audit report.