

# Lancaster County Prison Audit Report

For the period of January 1, 2017 through December 31, 2017



Brian K. Hurter, CPA  
Lancaster County Controller

**Lancaster County Prison Audit**  
**For the period of January 1, 2017 through December 31, 2017**

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## Controller's Office

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**Controller**  
Brian K. Hurter, CPA

July 20, 2018

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

Dear Ms. Steberger:

Attached is the audit report for 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, 2017 through December 31, 2017, which covers the 2017 fiscal year. We have tested and audited the financial affairs pertaining to the Prison's Inmate General Welfare Fund, Capital Projects Account, and Commissary Store Account, 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. Their help 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, 2017 through December 31, 2017**

**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.<sup>1</sup>

**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 their 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 November 2017, the official capacity at Lancaster County Prison was 1,102. The average number of inmates throughout 2017 was 898. February and March saw the highest number of inmates with 982 on average, while June saw the lowest number of inmates with 837 on average. It is necessary to identify issues relating to the inmate's criminality and to implement, maintain, and monitor programs that will prepare them to confront these issues in a constructive manner. The Prison attempts to prepare inmates to return to society as contributing and productive members.

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<sup>1</sup> 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, 2017 through December 31, 2017**

**Note C – SCOPE AND PROCEDURES OF AUDIT**

The period of review is January 1, 2017 through December 31, 2017, which covers the 2017 fiscal year.

A sample of receipts and expenses for the Inmate General Welfare Fund, Capital Projects Account, and Commissary Store Account were selected for the 2017 year and a number of 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 March 9<sup>th</sup>, 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, 2016 to December 31, 2016. The audit report noted five 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 2016 audit findings, observations, and recommendations that related to the financial portion 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.

During the current audit, we elected not to include an audit of the records department and will conduct a separate audit at a later date. This will allow the Prison administration and records department to implement any prior year audit recommendations or any other positive changes to the processes relating to storage, filing, and review of inmate records documentation.

In regards to the audit recommendations described in the audit for the 2016 year, the Prison administration has fulfilled audit recommendation 1, which specifically pertained to the financial portion of the Prison. The Prison has accomplished this by implementing a process that when checks come in and are placed on a receipt form, the Fiscal Operations Supervisor will audit the receipt form before it goes to the Treasurer's and Controller's Offices. The audit process will include verifying that the checks are properly endorsed for deposit.

**Lancaster County Prison**  
**Relevant Audit Notes (*Continued*)**  
**For the period January 1, 2017 through December 31, 2017**

**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, Capital Projects Account, and Commissary Store Account. 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, 2017 through December 31, 2017**

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 – Multiple errors on receipt forms:**

**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 2017 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 there were four IDRFs in the audit sample that had coding errors or missing descriptions. Upon a review of these sampled receipts, we reviewed all receipts completed by the Prison in 2017 and discovered that there were issues with 41 out of 89 forms, or 46% of the forms submitted to the Controller’s and Treasurer’s Offices.

**Finding 2 – Checks cashed without endorsement:**

**Background:**

The Prison receives certain expense distributions from the Inmate General Welfare Fund account to pay inmates for jobs that the inmates have within the Prison. All checks issued by the Inmate General Welfare Fund account should be properly endorsed by the receiving party.

**Lancaster County Prison**  
**Audit Findings and Observations (*Continued*)**  
**For the period January 1, 2017 through December 31, 2017**

**Finding 2 – Checks cashed without endorsement (*Continued*):**

**Description:**

During the audit of the 2017 fiscal year, a sample of twenty-five expenditures were tested from the Inmate General Welfare Fund. A series of procedures were performed to test for accuracy, proper approval, account coding, and allowability of these expenditures. There was one check that was made payable to the Lancaster County Prison, but did not have an endorsement (i.e. signature, stamp, or 'For Deposit Only') on the back of the check. This is a re-occurring finding from the prior audit.

**Finding 3 – Voucher form approved by same individual that was seeking reimbursement:**

**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.

**Description:**

During 2017, an individual at the Prison created a voucher form for Petty Cash reimbursement. The voucher had a name of a Prison employee as the vendor, which was the normal procedure to reimburse petty cash. The individual who created and approved the voucher was the same individual who was the vendor on the voucher form. The same individual who creates and approves the voucher should never be the same name of the vendor on the voucher form. A clear segregation of duties is necessary in any organization to reduce the risk of any potential fraudulent activity.

**Lancaster County Prison**  
**Audit Findings and Observations (*Continued*)**  
**For the period January 1, 2017 through December 31, 2017**

**Finding 4 – Not enough monies transferred in for Capital Project:**

**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 making their financial statements. The Prison has a specific account designated for capital projects. When capital projects arise, the Prison requests a transfer of monies into the Capital Project Account and purchase orders can be paid from this account. 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 account, we sampled ten expenses from multiple projects. During the testing of these projects, we reviewed the monies transferred in for the capital projects and compared that amount against the monies transferred out to pay for the purchase orders for those projects. One of the capital project accounts did not transfer in enough money to cover the purchase order and the project did not continue from a prior or into a subsequent year. The Prison did not request a transfer of additional monies to cover the expenses.

**Lancaster County Prison**  
**Audit Recommendations**  
**For the period January 1, 2017 through December 31, 2017**

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. Develop an electronic Interdepartmental Receipt Form (“IDRF”) that is pre-filled with any possible account coding and explanation/description. We believe an electronic IDRf will allow very minimal or no errors to occur.
2. Continue to properly endorse all checks that are made payable to the Lancaster County Prison. This will ensure that the monies are being deposited into the correct account.
3. Develop a list of responsibilities and duties between employees in the business office of the Prison to determine there is a clear segregation of duties. Additionally, develop a list or policy of which employees can prepare any forms surrounding receipts or expenses/reimbursements and another list or policy with employees who can approve those same forms. Verify that there is a clear segregation of duties and one person cannot approve their own forms.
4. The Prison should get approval for the estimated total cost of the capital project at the start of the project and transfer the monies to the Capital Project account. When a capital project 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, 2017 through December 31, 2017**

We have performed specific procedures to assist in evaluating internal control and continued effectiveness of the Lancaster County Prison for the 2017 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, Capital Projects Account, and Commissary Store Account.

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. Included in our audit, we have reported at least one finding that involves a lack in the internal control structure of the Lancaster County Prison. 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 20<sup>th</sup>, 2018**  
**For the period January 1, 2017 through December 31, 2017**

This section of the report presents responses from the Lancaster County Controller's Office to the responses received from the Warden on July 16, 2018 in regards to the Lancaster County Prison draft audit, which was sent to the Prison on July 2, 2018.

- A. In response to Finding #1: During the audit process, the Prison Administration was informed by the Controller's Office that other departments were using a pre-printed IDRFB and the blank triplicate forms that were currently being used were not required. The Controller's Office sent samples of the forms being used by other departments and the Prison created their own pre-printed forms that have the proper account codes, sub-classes, and receipt descriptions. Using the new form will not only eliminate coding errors, but it also saves time and automatically creates an electronic record. The practice was put into effect immediately. In addition, the Inmate Account Clerk is now required to submit all back-up documentation along with the IDRFB. The Fiscal Operations Supervisor will use that documentation to double check the amount of the receipts and to verify that all checks have proper endorsements.

**Controller's Office Response:** The Controller's Office notes that it is promising that the Prison Administration has already implemented this recommendation and we applaud their continued willingness to improve Prison operations.

- B. In response to Finding #2: The Inmate Account Clerk is responsible to stamp the endorsement on the check and the Fiscal Operations Supervisor is responsible to double check all endorsements prior to signing off on the IDRFB or bank deposit slips. Even one missed endorsement is too many. The Prison Administration has since discussed the importance of these steps and they will be working diligently to ensure that this does not become a re-occurring finding again.

**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 steps that the Prison has already taken to ensure that proper procedures are in place.

**Lancaster County Prison**  
**Audit Responses – July 20<sup>th</sup>, 2018 (Continued)**  
**For the period January 1, 2017 through December 31, 2017**

- C. In response to Finding #3: The Director of Administration is responsible to ensure that proper accounting practices are utilized to reduce the risk of fraudulent activity. As suggested, the Director of Administration has created a list of accounting responsibilities and duties that will be followed at all times.

**Controller's Office Response:** We commend the Prison Administration in putting together a chart of accounting responsibilities and duties and we applaud their diligent efforts to ensure this finding or findings like such will not happen again.

- D. In response to Finding #4: In January 2017, a Capital Projects transfer was requested and approved in the amount of \$2,199.18. The funds were used to purchase a laptop computer and accessories for an individual at the Prison. The amount of the request was based on a quote obtained through the IT Department. After the funds were transferred and a purchase order was created, the Purchasing Department realized that the quote was missing the cost of a protection plan. An updated quote was requested by the Purchasing Department and the purchase was completed. When the equipment arrived and the purchase was receipted in PeopleSoft, the County's financial management software, the Prison assumed the remaining balance due (for the increased cost of the protection plan) would simply be taken from the Prison's expense account. It was not understood that the balance due (\$35.73) should have been transferred from the capital project account to the Prison's expense budget in order to cover the difference. The Prison now understands the process and the proper steps will be taken in the future.

**Controller's Office Response:** The Controller's Office acknowledges that the Prison Administration has thoroughly reviewed the background of this finding. The Controller's Office re-affirms our finding and recommendation.

**Lancaster County Prison**  
**Audit Responses – July 20<sup>th</sup>, 2018 (*Continued*)**  
**For the period January 1, 2017 through December 31, 2017**

**Controller’s Office Summary:**

We believe that the Prison operations have continued to improve over the past few years, and with the audit recommendations being implemented as a result of this audit report, it will ensure that the Prison Administration is continuing to move forward in a positive direction. The openness and professionalism of the Warden, along with her staff, specifically the Director of Administration, shows the Prison is united in continuing their dedication to providing the best possible service to the inmates of 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.