

**County of Luzerne, Pennsylvania  
Correctional Facility  
Commissary Fund**

Performance Audit of Selected Areas  
January 1, 2011 to December 31, 2011

# County of Luzerne, Pennsylvania Correctional Facility Commissary Fund

## Table of Contents

January 1, 2011 to December 31, 2011

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Overview</b>	2
<b>Objectives</b>	
Telephone Procedures	3
Inventory Procedures	5
Commissary, Inmate and Canteen Accounts	8
Work Release Account	11

# County of Luzerne, Pennsylvania Correctional Facility Commissary Fund

## Overview

January 1, 2011 to December 31, 2011

The County of Luzerne, Pennsylvania (the "County") operates a County Correctional Facility housing approximately 800 inmates. The Correctional Facility Commissary Fund (the "Fund") has documented its procedures for deducting funds from an inmate's prison account in their Luzerne County Correctional Facility Inmate Handbook and Financial Responsibility Program Policy ("Program") dated August 1, 2005. In addition, the Fund follows PA Code Title 37, Chapter 95 for any policies not specifically addressed in the Program.

The Fund maintains 4 separate checking accounts that are utilized as follows:

- Inmate Account – the Inmate account was established to hold funds received on behalf of inmates. The inmates are charged a \$100 booking fee, along with certain other fees for staying at the Prison. In addition, they are allowed (at least those who have funds) to purchase up to \$75 in commissary items each week, which is deducted from their inmate account balance.
- Canteen Account – The Canteen account is a central clearinghouse type account, where all bills are paid and into which transfers are made from the inmate account.
- Commissions Account – The Commissions account was established to maintain the "profit" earned on the commissary sales. All funds in the Commissions account can only be used for items that benefit the inmates.
- Work Release Account – The Work Release Account was established to maintain the inmate's monies who participate within the Work Release Program.

Inmate activity is tracked using the DSI Offender Management System (DSI OMS). This is a comprehensive inmate management system that manages all aspects of an inmate's incarceration. The Fund uses it for work release activity relating to work money payments, deposit of work release checks, etc. In addition, the Fund has a contract with Digital Solutions / Inmate Telephone Inc. (DSI / ITI) for providing inmate banking services through a walk-up style self-service kiosk located at the Correctional Facility and through an online e-commerce web site to track inmate telephone calls. The kiosks provide for the collection of inmate "commissary" funds and for the collection of inmate destination prepay funds. All fees generated by the use of the inmate banking services are the property of DSI/ITI.

The Fund has an agreement with ITI to provide a non-coin operated telephone system for use by inmates. The Fund receives 43% of the gross billed revenue generated by calls made from this system. This commission is paid on a monthly basis and recorded in the Commissary account.

This report presents the results of our performance audit of the County of Luzerne, Pennsylvania's (the "County") Correctional Facility Commissary Fund (the "Fund"). In addition to the specific performance audit procedures performed, we also obtained an understanding of the history and operations of the Fund to assist us in completing this audit.

# **County of Luzerne, Pennsylvania Correctional Facility Commissary Fund**

---

## **Overview**

January 1, 2011 to December 31, 2011

### **Objective One – Telephone Policies and Procedures**

- a. Obtain written local telephone policy and determine if the local telephone policy is in compliance with PA Code Title 37, Chapter 95 ("PA Code").
- b. Recalculate the commission earned and received by the County in accordance with the Inmate Telephone Incorporate ("ITI") contract requirements.

### **Scope and Methodology**

- a. The Fund documents its local policy for telephone procedures in its Inmate Handbook. We obtained a copy of the Inmate Handbook and determined whether all of the minimum requirements of the PA Code were included within the Fund's local policy and procedures.
- b. We obtained a copy of the telephone contract with ITI and determined the amount of commission that the County is required to receive under the contract which is 43 percent. We selected 100% of the monthly invoices during the period from September 2010 to August 2011 (the twelve invoices received during calendar 2011) and the summary commission report that includes gross revenue and recalculated the commissions earned and received by the Fund at 43 percent.

### **Background and Results**

- a. All of the minimum requirements of the PA Code for telephone privileges were included in the local telephone policy.
- b. When an inmate is incarcerated, they receive 3 free phone calls upon arrival. The inmate is assigned a pin number for their separate inmate account, which is completed by Mary Ann Majikes, Prison Clerk. Each inmate is limited to calling 7 family and friends' phone numbers and 1 phone number for an attorney. No inmate can have more than 8 people listed on their calling form, with all calls being a maximum length of 60 minutes. Mary Ann is responsible for setting up the phone numbers for the inmates. Unless the calls are paid for by the receiving party (collect calls), the cost of the telephone call is charged to the individual inmate's commissary account. In addition to calls being paid for by the inmate, family members and friends may set up prepaid accounts with ITI, which are known as collect calls. At month end, ITI will invoice the prison for the amount of calls based on the separate inmate account on the Offender Management System (OMS). When ITI sends their Summary Commission Report, the amount is based on actual, so there may be some differences between the invoicing and Summary Commission Report. Ann Brutski, Commissary Bookkeeper, is responsible for keeping track of the billing for the telephone service. Once the 43 percent of gross revenue is received from ITI, the prison records this amount within their Commission Fund.

# County of Luzerne, Pennsylvania Correctional Facility Commissary Fund

## Overview

January 1, 2011 to December 31, 2011

The amount invoiced to the prison on a monthly basis consists of the "Commissary Debit Interstate Interlata" accounts (which are found on the Summary Commission Report). The Commissary Debit Interstate Interlata accounts are prepaid minutes purchased by the inmates, inmates family members, etc. ITI will then invoice the prison for the amount prepaid. Per discussions with Lisa Ferguson, DSI-ITI Billing Specialist, the other phone calls listed within gross revenue such as advance pay, collect calls, and direct billing calls are **all included** within revenue, but are not reported on the invoice because the calls were paid by an external source (call recipient as opposed to call initiator or prisoner) and therefore there is no payment for such calls required from the inmate's account maintained by the Fund.

Per discussion with Jeremy Jackson, DSI-ITI Invoicing/Billing Specialist, the invoices are based on the OMS system software, which consists of the inmate trust fund accounts (which includes all money deposited into the inmates account during that time period). The commission report is based strictly on the telephone database, OCS, which only consists of the phone calls made by inmates from the prison. The differences are due to the different billing systems set in place by DSI-ITI.

The twelve invoices received by the County were recalculated and equaled the proper amount of commission earned in accordance with the contract.

## ***Observations, Recommendations, and Conclusions***

### **Finding One: Review and Approval of Commission Remittances**

Criteria - Pursuant to the Inmate Telephone Incorporated (ITI) telephone vending agreement, the Fund is to receive a commission from ITI for each telephone call made from the Correctional Facility equal to 43 percent of the gross call revenue.

Condition - During our testing of the monthly commissions earned, we noted that Fund management does not independently recalculate the commissions earned on a monthly basis.

Effect - Because management is not recalculating the amount of commissions received on a monthly basis, there is potential for errors and not receiving the correct amount of monthly commissions.

Cause - Oversight.

Recommendation - We recommend an employee within the Correctional Facility reconcile or compare the monthly call volume, as recorded within the DSI system, to the monthly invoice. In addition, we also suggest that an employee within the Correctional Facility recalculate the amount of commissions received on a monthly basis to ensure the correct amount is received each month.

Views of Responsible Officials – Management of the Fund will review the process and assign someone to review the ITT invoice and recalculate the commission on a monthly basis.

# **County of Luzerne, Pennsylvania Correctional Facility Commissary Fund**

---

## **Overview**

January 1, 2011 to December 31, 2011

### **Objective Two – Inventory**

- a. Obtain written local inventory policy and determine if the local inventory policy is in compliance with PA Code Title 37, Chapter 95 ("PA Code").
- b. Sample inmates and test their inventory transactions for the year to supporting documentation.
- c. Sample bills sent to the County for indigent inmate inventory reimbursements and agree to supporting documentation.

### **Scope and Methodology**

- a. The Fund documents its local policy for commissary procedures in its Inmate Handbook. We obtained a copy of the Inmate Handbook and determined whether all of the minimum requirements of the PA Code were included within the local policies and procedures.
- b. We obtained the "Inventory Mark-Up Price Listing" and a summary of the transactions within the selected Inmate Accounts for each month in 2011 and judgmentally selected 15 inmate accounts and tested all inventory transactions for the year.
- c. We judgmentally selected 3 months of billings and obtained the Monthly Commissary Report, Vendor Contracts, and Monthly Reimbursement Checks from Luzerne County, Welfare Monthly Listing and Bank Statements.

### **Background and Results**

- a. On a monthly basis, a physical inventory of the commissary items is completed and the balances within the DSI inventory system are updated to reflect the actual number of items on hand. Following this process, a month-end quantity ("Inventory Report") is generated through the DSI inventory system. On a periodic basis, the commissary clerk completes order forms supplied by the approved Commissary vendors that list the type of items ordered, quantity, and price (including discount). All vendors are selected through a formal bid process, are approved at a monthly Prison Board meeting, and generally are valid for a 12-month period.

All of the minimum requirements of the PA Code for commissary accounts were included in the local policies and procedures.

- b. A maximum of 75 dollars a week (unless purchasing a radio or television) may be spent in the commissary store by general population, non-indigent, inmates. The inmates must correctly complete and submit store slips on Sunday evenings to the correctional officer on duty. Inmates housed in disciplinary detention are only allowed sanitary items and writing materials.

We obtained the price schedule for all inventory items as of December 31, 2011. Per discussions with Ann Brutski, Commissary Bookkeeper, the Correctional Facility follows state regulations when marking up inventory items. There is a formally established percentage markup on the individual commissary items. We reviewed the price listing with the valuation report at December 31, 2011 and noted that most items were marked up approximately 50%.

## County of Luzerne, Pennsylvania Correctional Facility Commissary Fund

### Overview

January 1, 2011 to December 31, 2011

- c. Indigent Status is defined as any inmate who has no funds in his/her prison account for a period of three consecutive weeks. Indigent inmates are limited to obtaining the following commissary items on a weekly basis: 2 stamps, 1 candy bar, and 1 small tube of toothpaste. In addition, each inmate is provided a deodorant on a monthly basis. The first week of every month the inmates on the indigent list are also given a note pad and a pen. No other inmates who become indigent during the month are given pen or paper. These items are reimbursed by Luzerne County at the acquisition cost of each item. See finding one for results of testing.

### ***Observations, Recommendations, and Conclusions***

#### **Finding One: Request for Reimbursement is Calculated Incorrectly**

Criteria - The Fund is reimbursed by the County for all purchases made by the Correctional Facility's "indigent" population on a monthly basis.

Condition - In testing the amounts remitted to the Correctional Facility, we noted the County paid for stamps and playing cards that are given out to the inmates.

Effect - The County is paying for items that should be paid by the Canteen fund. .

Context - We selected 3 months of billings (May, July and December 2011) of reimbursements to test, the overpayments amounted to \$620 for the 3 months selected for testing and \$2,328 for the year.

Cause: Oversight.

Recommendation - We recommend the Canteen Fund reimburse the County for \$2,328 for the 2011 cost of stamps and cards.

Views of Responsible Officials – Management will issue a check to the County from the Canteen fund for \$2,328.

## County of Luzerne, Pennsylvania Correctional Facility Commissary Fund

### Overview

January 1, 2011 to December 31, 2011

### **Finding Two: Transfer of Commissary Profit**

Criteria - The Fund periodically transfers the "profit" earned on inmate commissary purchases from its Canteen Account to its Commissary Account to be utilized for items to benefit the general prison population.

Condition - While the Fund identifies the amount of "profit" added to each individual commissary item, it does record a transfer from the commissary account to the canteen account on a routine basis.

Effect - The commissary account may have funds that need to be transferred to the canteen account.

Cause: Oversight

Recommendation - We recommend from the monthly calculation of the "profit" earned from the inventory purchases that this amount be transferred from the commissary account to the canteen account.

Views of Responsible Officials – Management will begin recording monthly transfers of the commissary profit from the commissary account to the canteen account.



# **County of Luzerne, Pennsylvania Correctional Facility Commissary Fund**

---

## **Overview**

January 1, 2011 to December 31, 2011

## **Objective Three – Commissary Accounts**

Review and test the method for collecting, safeguarding and disbursing Commissary monies.

## **Scope and Methodology**

We inquired of Fund personnel if there were written policies and procedures regarding the Commissary, Canteen and Inmate accounting. The Fund does not have any formally documented accounting policies and procedures. However, certain policies and procedures are included in the Inmate's financial responsibility program policy. If the Program does not specifically address a policy, the Fund follows the policies, procedures and guidelines outlined in the PA code. See Findings One through Four.

## **Background and Results**

We performed a walkthrough of one cash receipt (collection) and one cash disbursement (disbursing) to document our understanding of the methods for collecting, safeguarding, and disbursing commissary monies.

### **Collection Procedures**

The Correctional Facility receives cash in 3 different ways: (1) when inmates are booked, whatever funds they have on their person are maintained by the Booking department; (2) visitors to the prison can deposit funds at the Kiosk machine in the lobby, or funds can be electronically posted to inmate accounts online; (3) checks and money orders are received in the mail. All of the funding that is received is deposited at the end of the day and monthly bank statements are reconciled to the manual check registers.

### **Disbursing Procedures**

The majority of the checks written are written from the Canteen fund, with several checks a month being written from the Inmate and Commissions account, primarily to reimburse the Canteen fund for purchases. While the manual check books are maintained in a secure location, only one signature is required of either Ann Brutsky or Bob Ruckle.

# County of Luzerne, Pennsylvania Correctional Facility Commissary Fund

## Overview

January 1, 2011 to December 31, 2011

### *Observations, Recommendations, and Conclusions*

#### **Finding One: Document Formal Policies and Procedures of the Commissary Accounts**

Criteria: - The policies and procedures surrounding the collecting, safeguarding and disbursing of commissary monies should be documented.

Condition – Formal policies and procedures are not documented.

Effect – Ineffectiveness (job may be performed more efficiently and effectively).

Cause – Lack of formal written policies and procedures.

Recommendation – For a month each County employee responsible for overseeing commissary funds should document their daily activities to be reviewed and converted into a written policy and procedure.

Views of Responsible Officials – Management will have applicable personnel document their daily activities and at the end of the month, these activities will be reviewed and a formal policy and procedure documented.

#### **Finding Two: Segregation of Duties**

Criteria - Adequate segregation of duties between accounting functions is essential to maintaining effective internal control and ensuring that all transactions are properly accounted for and handled.

Condition - The responsibility for performance of collection, safeguarding and disbursing Commissary Fund monies is limited to a few individuals and in certain instances, one individual has the ability to collect payments, record the payments within the manual accounting system, generate reports, make deposits and write checks.

Effect - Without proper segregation of duties, errors or fraud could occur and go undetected.

Cause - The Fund employs a limited number of individuals, such that there are limited options to fully segregate duties.

Recommendation - While there are limited people employed in a management role within the Correctional Facility, we recommend two signatures be required on all checks.

Views of Responsible Officials – Management will require a second signature be required by the Warden, Deputy Warden or Captain.

## **County of Luzerne, Pennsylvania Correctional Facility Commissary Fund**

---

### **Overview**

January 1, 2011 to December 31, 2011

### **Finding Three: Payment of Monthly ITI Invoices**

**Criteria** - On a monthly basis, ITI invoices the Fund for the value of the telephone calls made that are charged to inmates, including those inmates housed in the work release building.

**Condition** - When the Fund makes payment on the monthly telephone charges, the check is written from the Inmate Account for the full balance of the amount due to ITI, regardless of whether the prisoner is housed at work release or not.

**Effect** - The Inmate Account is being overcharged for the value of the telephone calls each month as there is no reimbursement from the work release account for the value of calls made by individuals on work release.

**Recommendation** - We recommend the Fund follow up with the vendor, ITI and determine if the invoices could be allocated between work release and housed prisoners in order to determine the amount required to be paid out of the work release fund.

**Views of Responsible Officials** – Management will follow up with the vendor to see if the invoice information could be separated.

### **Finding Four: Computerized Accounting System**

**Criteria** - The Fund is required to maintain books and records of the operations and activities of the Correctional Facility.

**Condition** - Currently, the Fund is maintaining manual records in the form of a checkbook register. While certain items are recorded within the OMS system, the majority of activity is maintained manually.

**Effect** - The Fund is not assured of appropriately recording and summarizing all data within the manual registers. In addition producing meaningful activity reports is time consuming and prone to error.

**Recommendation** – We recommend the Fund have personnel attend training on the Offender Management System (OMS). The system that is being used partially by the Fund is a comprehensive inmate management system and is used by many county prisons throughout the State. From intake to release, information on all aspects of an inmate's incarcerations are maintained - including initial intake, charges, sentencing, property, housing, medical, meal planning, scheduling, and temporary release. This will reduce the manual tracking of prisoners account balances and provide a more efficient and effective process. Timely reports can be generated and provided to the County

**Views of Responsible Officials** – Management will review the current contract with DSI and look into the necessary training in order to use all of the capabilities of the software that was purchased.

# **County of Luzerne, Pennsylvania Correctional Facility Commissary Fund**

---

## **Overview**

January 1, 2011 to December 31, 2011

## **Objective Four – Work Release Program**

Test the method for reporting funds associated with the work release program.

### ***Scope and Methodology:***

We obtained the work release inmate files, work release inmate activity, work release in house receipts, and work release in house deposits. We judgmentally selected 40 work release inmates and tested 10 transactions from each of the following: the work money program, inmate check deposits, inmate room and board, and money sent home program.

### ***Background and Results***

The work release inmate program is for inmates who are ordered by the judge to work at various work places during their time at the prison. Inmates must sign consent forms and fill out the required applications before they are released for work within the program. Inmates in the work release program will deposit all payroll checks into their work release account. The funds are used to pay room and board, petty cash allowances, support payments, fines and court costs, and any negative balance recorded on the inmate's account. The inmate's payroll check is mailed directly to the work-release program facility. The staff will return the paycheck stub and a receipt describing fund allocation. The work-release inmates may also send any money home with the approvals from the work release program bookkeeper.

### ***Observations, Recommendations, and Conclusions:***

#### **Finding One: Coding in the Offender Management System ("OMS")**

**Criteria** - The coding with the OMS system for the work money program and room and board charges should be accurate.

**Condition/Context** - During our testing of the work-release program, we noted 4 of the 40 items selected for testing were coded incorrectly or had errors in the coding.

**Effect** - Incorrect descriptions/reporting within the OMS system.

**Cause** - Lack of monthly review of reports.

**Recommendation** - We recommend an employee scan the inmate detail on a monthly basis to ensure its accuracy and to identify and correct coding errors to ensure proper reporting.

**Views of Responsible Officials** – Management agrees and will look into proper training for the personnel who record the information in the OMS system.

## **County of Luzerne, Pennsylvania Correctional Facility Commissary Fund**

---

### Overview

January 1, 2011 to December 31, 2011

### **Finding Two: Signature Approval from Inmates Who Receive Work Money**

Criteria - The work money sheet for the day did not have any of the inmate's signature approvals for received funds. Per discussions with the work-release program bookkeeper, the work money sheets are to track the amount of money the inmates receives directly from their paychecks. The approvals of both the inmates and the staff in-charge of disbursing the cash to the inmate are required to sign the work money sheet.

Condition – For the ten work money sheets selected, we noted one work money sheet without the proper approval.

Effect - Inmate's not receiving cash funds from staff.

Cause - Lack of review of work money sheet and lack of policies and procedures regarding the disbursements and receipts of cash.

Recommendation - We recommend a second employee review the work money sheets to ensure the inmates are receiving the correct amount of funds. In addition, we recommend a formal policy and procedure regarding disbursements and receipts of cash be formally documented.

Views of Responsible Officials –Management agrees and will document the policy that requires the Lieutenant to sign the work money sheets.