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**COUNTY of LUZERNE**  
P E N N S Y L V A N I A  
ESTABLISHED 1786  
**OFFICE OF THE CONTROLLER**

***Audit of the  
Luzerne County Correctional Facility  
Commissary Funds  
For the Period  
January 1, 2013 to December 31, 2013***

**Fieldwork Performed by:**

**Timothy P. McCormack  
Martin G. Moughan  
Nancy L. DeFluri**

**Objective:**

The Controller's office is required by the Commonwealth's Administrative Code, Title 37, Section 95.239, to perform an annual audit of the Prison Commissary Funds.

**Scope:**

We reviewed the period of January 1, 2013 through December 31, 2013 to ensure the Prison Commissary funds were in compliance with the statute, that adequate documentation was maintained for dispensing the funds and used in accordance with the statute and that revenue was tracked accurately and reported properly.

**Methodology:**

The audit included an examination of internal controls as well as the assessment of fraud, illegal acts, abuse and other non-compliance activities. We believe that our audit provides a reasonable basis for our findings.

**Testing Methodology:**

Prior year audits found no exceptions with the accuracy of receipt and posting of revenue to the inmate accounts, so we determined that it would be of greater value to evaluate other areas of concern rather than perform the same testing. Therefore, we omitted this testing methodology for the 2013 audit period.

We reviewed pricing as it appears on the commissary inventory list. We documented and compared the cost as listed on that report, with the actual cost from vendor invoices. We noted where they differed. Since items sold from the commissary include PA sales tax when applicable, we backed out the tax portion to reveal the actual profit from sales of taxable items. We calculated the amount of profit for each item and where pricing differed, we noted the difference.

We reviewed the usage of the ITI, Inmate Telephone Incorporated, system to ensure that commission received was as stated in the contract.

We examined the bills paid to vendors representing replenishment of goods for sale at the commissary and found those goods listed on the commissary order sheet. We reviewed the payments made to those vendors to ensure the disbursements were performed accurately, supported by adequate documentation.

We selected a random sample of disbursements from the Inmate Fund to determine the disbursements were performed accurately and supported by adequate documentation.

We reviewed the bank statements and reconciliations from the Canteen, Inmate and Commission Funds to verify the accuracy of the balances.

We reviewed the payments made to the county for reimbursement of the processing fee, medical, misconduct, county property, handbooks and prison ID fees charged to the inmates to ensure the amounts are submitted to the county timely and accurately.

## General Findings:

On a monthly basis there are monetary transfers between the Luzerne County Correction Facility and the Luzerne County General Fund.

Transfers are made from the general fund to LCCF:

- To financially subsidize the inmate payroll. Inmates have jobs within the prison facility and are compensated to perform those jobs. Some examples are cleaning; which includes halls, rooms and soiled areas, and cooking; which includes preparation, serving, and clean-up.
- To purchase and provide basic items to those prisoners who have been deemed indigent, and have no funds to purchase these basic items.

Transfers are made from LCCF to the general fund:

- Each inmate is charged a processing fee by Luzerne County upon commitment to the facility. If not collected in its entirety at commitment, all future funds received by the inmate, are subject to a 20% levy for cost recovery.
- Any inmate who has disobeyed an order from authorized personnel at the prison, or in one way or another has misbehaved; they are charge with misconduct. \$5.00 is deducted from the inmates account as punishment, along with restitution for any damage caused by their misconduct. If not collected in its entirety at the time the misconduct charge is filed, all future funds received by the inmate, are subject to a 20% levy for cost recovery.

We took note of several large intra-fund transfers of commissary money. The inmate fund in particular was overfunded from what records of their balances showed. Transfers were made between the canteen fund and the commissions fund in both directions.

One of the stimuli which prompted these transfers was the misinterpretation of a recommendation from a previous audit. The audit report directed that the profit from the canteen, "Only", be transferred to the commissions' fund. Previously the cost of goods was transferred there as well, and the expenditures to replenish the commissary stock were made from the commission fund. After the audit finding the bookkeeper transferred profit only to the canteen as directed, but continued to pay for replenishment of stock from the commissions' fund which soon could not support the expense.

The inmate fund is artificially inflated due the lack of proper transfers from the inmate fund to the commission fund and canteen fund. The three accounts collectively maintain a balance that contains accumulated profits from prior periods.

We recommend that in addition to maintaining the funds already in these accounts, the accounts also receive the amounts from prisoner misconducts that become more appropriately part of the prison rather than the general fund.

Conversely, we recommend that these accounts be used to pay inmate wages and indigent pay thus eliminating monthly payments made by the general fund. Upon calculation, we determined that the money presently in these accounts, which is not restricted to inmate personal accounts or canteen payments, would along with future

profits, allow the LCCF to operate without the need for reimbursement by the general fund for inmate and indigent needs.

These accounts would continue to remain profitable, while allowing for ample excess money after inmate pay and indigents, to pay ongoing and foreseeable expenses, thus providing great savings to the general fund.

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Throughout our review, it was apparent that the processes currently established to generate checks, reconcile bank accounts, track the funds and process the inmate payroll are manual, time consuming and leave a large margin for errors going undetected.

We also noted that there is a lack of segregation of duties and internal controls over the bank accounts. While we found no indication of misuse of funds, the same individuals write the checks, make deposits, sign the checks and perform the bank account reconciliations. There is only one authorizing signature on the checks. The Home Rule charter states in Section 5.13., that all checks shall have two signatures, and the manager designates who can sign on his behalf.

The inmates submit withdrawal requests to the prison bookkeepers to disburse funds to outside agencies on their behalf, and the inmates account is charged accordingly. The Bookkeepers are acting as assistants to the inmates; however, no charge is imposed on the inmates for this service.

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The inmates are paid for various duties performed at the prison; however, the timesheets are prepared by hand and grouped by shift, rather than by inmate. To determine the amount due each inmate, the bookkeepers must page through all of the shift sheets to locate each individual inmate and manually calculate the amount due.

The prison should develop spreadsheets to accommodate the inmate payroll which would automatically calculate the pay due the inmate and eliminate the possibility of over/underpayment. In addition, the inmate time sheets should be set up like a time card, with one sheet per inmate. The spreadsheets, once printed should be provided to the correctional officers responsible for the inmate oversight. Upon completion of a shift by an inmate, the correctional officer should sign the sheet verifying the inmate completed the shift successfully. Payment then would be made from the inmates' individual timesheet.

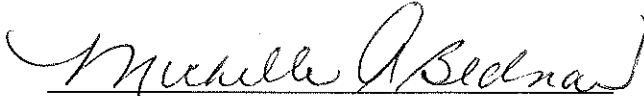
Please Note:


**Luzerne County Home Rule Charter: Section 3.08 (C.) 3.**

***The audited entity shall respond in writing, specifying agreement with the audit findings and/or recommendations or the reasons for disagreement with the findings and/or recommendations, along with any plans and timetable for implementing remedies. The response shall be provided to the Controller within 14 days after the audited entity's receipt of the draft audit. The Controller shall include the audited entity's response in his/her final audit report.***

Please respond to this audit as prescribed:

**Controller's Office:**

  
Michelle A. Bednar, Controller

  
Timothy P. McCormack, Deputy Controller

  
Martin G. Moughan, Auditor

  
Nancy L. DeFluri, Internal Auditor

**Prison:**

  
Allen Nesbitt, Director

  
Ann Brutski, Bookkeeper

**COUNCIL**

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**COUNTY of LUZERNE**  
P E N N S Y L V A N I A  
ESTABLISHED 1786

**Division of Corrections**

ROBERT C. LAWTON  
COUNTY MANAGER

J. ALLEN NESBITT  
*Director of Correctional Services*

JAMES LARSON  
*Deputy Warden*

GRACE FRANKS  
*Treatment Coordinator*

JACKIE GRIMES  
*Assistant Business Manager*

Michelle A. Bednar, County Controller  
Penn Place, 20 N. Pennsylvania Blvd.  
Wilkes Barre, PA 18711

Dear Controller Bednar,

I am responding to the Audit of the Luzerne County Correctional Facility Commissary Funds for the Period January 1, 2013 to December 31, 2013, conducted by Timothy P. McCormack, Martin G. Moughan and Nancy L. DeFluri. First, let me say how much we appreciate the timeliness of this report. As you are now aware, no report was completed by your predecessor for 2012, as required by the Pennsylvania Department of Corrections standards. Due to your staffs' diligence to perform a comprehensive audit in 2013, the Pennsylvania Department of Corrections audit team waived the lack of the 2012 commissary audit and accepted your team's 2013 findings.

The Inmate Welfare Fund has a long history of using profits from the commissary and telephone system to pay for items for the inmates' benefit which are not included in the general fund budget. Additionally, we have imposed fees for lost handbooks, lost identifications and other internal violations which are shown as revenues in the general budget. We believe that it is appropriate to replace money which is being spent from the general budget line items with this reimbursement rather place it in the Inmate Welfare Fund.

We are currently reviewing your recommendation to pay inmate wages and indigent pay from the Commissary profit. We will, by the end of this year, evaluate the totals of both these expenses to the profits generated by the commissary/telephone system. Should there be sufficient funds to support this recommendation, we will initiate this transfer of funding in 2015.

Additionally, we recognize that having only one bookkeeper creates a lack of separation of duties and reduces internal controls over the commissary bank accounts. We will review how these duties can be further delegated to other appropriate staff to maintain the integrity of these accounts, including inmate payroll.

Again, thank you and please extend our appreciation to your staff for their efforts to complete this audit in a timely and professional manner.

A handwritten signature in black ink, appearing to read "J. Allen Nesbitt". The signature is stylized with a large, sweeping initial "J" and "A".

J. Allen Nesbitt  
Director of Correctional Services  
Luzerne County Division of Corrections