



**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 2016***

**Michelle A. Bednar**  
**Luzerne County Controller**

**Fieldwork Performed By:**  
**Aaron A. Hojnowski**

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**Objective:**

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

**Scope:**

The Luzerne County Division of Corrections (LCDOC) bank statements were reviewed for the period January 1, 2016 through December 31, 2016, in order to ensure that the LCDOC commissary funds were in compliance with the statute, that adequate documentation was maintained for dispensing the funds and using them 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. It should be noted that all random statistical sampling was completed using a 95% confidence interval with a 5% margin of error. The Controller's Office believes the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

**Testing Methodology:**

In 2016 there were two bank accounts relating to the commissary fund as well as a new inmate account being opened in February 2016, the old inmate account was closed with all funds being transferred to the new account.

The accounts are as follows:

- The New Inmate Account (Opened in February 2016)
- The Old Inmate Account (Closed in February 2016)
- The Inmate Welfare Account (Formerly known as the Commissary Account)

The Controller's Office tested 242 disbursements from the New Inmate Account out of 651 total disbursements, 90 disbursements from the Old Inmate Account out of 177 total disbursements, and 158 disbursements from the Inmate Welfare Account out of 267 total disbursements. These disbursements included requested withdrawals. These transactions were tested to ensure the amounts billed were the proper amount paid, the payee matched its respective invoice, the check number was properly noted, and if voided the voided check was kept.

All deposits that occurred throughout the year were checked against the receipt total and bank account deposit slips. Monies may enter (be deposited to) the LCDOC in one of two ways:

- Upon an inmate's initial entrance into the institution—otherwise known as “booking”—since all personal effects, including cash, are removed from the inmate at the time of booking.
- When a family member or friend mails funds to be deposited into an inmate's account (Mailroom). Money is no longer received at the “Maingate” except for the “InmateBanker” kiosk, where others may deposit by credit card or cash to an inmate's account, credit card processing is run by a third party who receive a fee for their processing.

Each receipt area (Booking and Mailroom) has its own corresponding sequential receipt book. For all deposits, the Controller's Office verified that the daily receipted deposits matched the amounts deposited into the Inmate Bank Account for that day; any anomalies were noted and further scrutinized.

The bank accounts were tested for primary payees, average check written to payees, and the amounts of payments made to primary payees. The office also reviewed any uncashed checks.

LCDOC receives a portion of all commissary sales as a commission, which is then deposited to the Inmate Welfare Account. The Controller's Office reviewed payments made to Keefe Commissary, recalculated the respective bills' commission, and ensured the total agreed with the contracted percentage of 42.75%.

Furthermore, all grievances in the 2016 folder were reviewed. Additionally, seven random inmate accounts from all accounts were thoroughly tested.

The following items were reviewed with regard to those accounts:

- Inmate orders from Keefe Commissary
- Medical Reimbursement Charges
- Inmate Pays
- Misconducts

### **2016 Recommendations:**

Last year, the Controller's Office audited the LCDOC 2015 commissary records, during which time the following recommendations were made:

- The implementation of a two-person system, where one person counts the money and the other verifies and deposits it. This would ensure a greater level of monetary oversight.
- The implementation of an accounting software program that would track all accounting changes, decrease the likelihood of fraud, waste, errors, allow for greater accuracy and efficiency, and add a layer of security to the accounts LCDOC oversees. Additionally, better recordkeeping procedures should be implemented, so that all invoices are kept and filed.
- When LCDOC is informed that a deposit included counterfeit currency, they should request written confirmation from the bank. At that time, an adjustment should be made to the inmate's account and the Director of Corrections should be notified of the attempted illegal act. Additionally, a proactive stance should occur, whereby deposit ticket amounts should routinely be compared with actual deposits; when there is a difference, the reason should be sought.

During 2016, two of the three recommendations were implemented fully while one was implemented partially. The partial implementation, the second bullet point, is due to the continual wait for the computer systems to be upgraded to a more robust system to handle the burden of the software.

## **General Commissary Audit Findings (2016):**

### Keefe Commissary Review:

The Controller's Office reviewed all invoices from Keefe Commissary and found we have received the proper percentage from the company as payment. However, this year we were informed of a situation that has been happening for some time but we were never made aware of. There are errors that are occurring on a regular basis.

Inmates are receiving incorrect quantities of items or are being billed for items they never received. The inmates then inform the individual in charge that an error occurred. That individual would inform Keefe of the error and Keefe would credit the inmates account. While the inmates would receive the credit to their account there would be no corresponding credit statement from Keefe to the LCDOC. This error was easy to miss as it was assumed the correction would occur before payment was made to Keefe when in reality Keefe never changed the invoiced amount to the LCDOC. Furthermore, after looking into credits for inmates who were transferred/released from the LCDOC after placing an order but not being there to receive it we have found \$1,100.73 credited to inmates. The LCDOC received no credit statements for those individuals. Based on the commission rate with Keefe the LCDOC is owed \$630.17 from Keefe for those errors alone.

Continuing on the LCDOC ran a report for all credits reported in the JMS system. We then took this report to compare it to the credits we received from Keefe. The dollar amounts did not match. The LCDOC contacted Keefe commissary to discuss this finding. Keefe informed the LCDOC they will have their accounting department look into the matter in detail. The LCDOC is still waiting on confirmation from Keefe regarding this matter. The Controller's Office decided it would be best to analyze the data we have and calculate a potential dollar amount owed. Using the earliest found documentation date of purchases, September of 2014, to the latest date we had data, November 3, 2017, we deduced the LCDOC is owed \$65,357.80. This total also includes the above mentioned \$630.17. It must be noted these funds are not actually property of the LCDOC but belong in the "Inmate Account" checking account.

### Checking Account Voids & Invoices:

The Controller's Office located all voided checks and invoices for 2016. We found several instances of checks being cashed after the 60 day window and 1 check that was cashed with only one signature. These errors are on the bank or whatever institution the checks were cashed at. For the checks cashed after the 60 day window Per Title 13, Chapter 44 section 4404 of the US Pennsylvania General Assembly "A bank is under no obligation to a customer having a checking account to pay a check, other than a certified check, which is presented more than six months after its date, but it may charge the account of its customer for a payment made thereafter in good faith." As for the cashed check with only one signature the bank should have allowed the check be cashed. While the check was for a valid purpose, the checks require two signatures. If the check was a fraudulent activity, the bank would potentially be held responsible for the funds.

### Booking Receipts:

There were 7 receipt skips and 14 instances where there was no receipt for funds. While there is a list containing amount and who the funds belong to having a receipt gives an extra layer of protection for the fiduciary responsibility to the LCDOC.

There was an instance where the bank deposit amounts was less than the receipted amounts. The amount difference totaled \$60.00. This difference was due to counterfeit currency. The LCDOC received all counterfeit currency verification from the bank, per the recommendation from last year's audit, for the counterfeit currency. The inmate that turned in the currency also came forward.

#### Mailroom:

There were several entire receipt book skips and 3 instances where there was no receipt for funds. As with the "Booking Receipts" there is a list containing amount and who the funds belong to having a receipt gives an extra layer of protection for the fiduciary responsibility to the LCDOC.

It should be noted the LCDOC has been continually improving the receipt measures in place. There were no going out of order for the receipt books if the receipt was not used when it was to be used it was skipped and the next number was used. This shows the LCDOC is realizing the skips and taking proactive steps to not create a potentially confusing situation with regard to the timing of receipts.

#### Inmate Account Sampling:

For the 12 accounts randomly selected for testing in the areas of commissary, medical reimbursement, inmate pay, and misconduct, all were satisfactory and matched their respective items. No errors or misstatements were found.

#### **Conclusion:**

Based on the information supplied to the Luzerne County Controller's Office we affirm the 2016 Commissary Fund audit of LCDOC records are accurate. However, there is a problem with the credits to the LCDOC from the commissary provider. This is material problem that must be rectified immediately.

#### **Recommendation:**

<u>Condition:</u>	The LCDOC is not receiving the proper credits for returned items from Keefe Commissary.
<u>Criteria:</u>	A continual double check of all credits entered by Keefe is required.
<u>Cause:</u>	While the LCDOC tracks all orders and payments to Keefe when refunds are being given on the day of delivery the credits are not being correctly recorded by Keefe.
<u>Effect:</u>	This is causing the Inmate bank account to actually contain less funds than should be there.
<u>Recommendation:</u>	The Luzerne County Controller's Office recommends manual tracking of all returns of commissary items. Furthermore, we believe it is in the best interest of Luzerne County to look over the Keefe commissary contract and put out a new RFP for a new potential vendor.

**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 stating 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.*

**Fourteen Days from the Audit date is: January 19, 2017**

*Please attach any written responses to the audit.*

**Controller's Office:**

Michelle A. Bednar 1/14/18  
Michelle A. Bednar                      Date  
Controller

Aaron A. Hojnowski 1/4/2018  
Aaron A. Hojnowski                      Date  
Deputy Controller

**County Manager's Office:**

C. David Pedri, Esq 1/19/18  
C. David Pedri, Esq                      Date  
Luzerne County Manager

**LCDOC:**

Mark Rockovich 1/18/18  
Mark Rockovich                      Date  
Director of Correctional Services

Karen Krzysik 1/18/18  
Karen Krzysik                      Date  
Bookkeeper

Nicholas Lermite 1/18/18  
Nicholas Lermite                      Date  
Budget and Finance Analyst



The Audit of  
Luzerne County Correctional Facility  
Commissary Funds for 2016

This report was initially distributed to the following:

Mr. David Pedri	Luzerne County Manager
Mr. Tim McGinley	County Council Chair
Mr. Mark Rockovich	Director, LCDOC
Ms. Karen Krzysik	Bookkeeper, LCDOC
Mr. Nick Lermite	Budget and Finance Analyst, LCDOC

This report is a matter of public record and is available online at <http://www.luzernecounty.org>, found under Audit Reports on the Luzerne County Controller's section of the website. A hardcopy is also available at the Luzerne County Controller's Office. Media questions about the report may be directed to the Luzerne County Controller's Office at 20 North Pennsylvania Blvd., Suite 213, Wilkes Barre, PA 18701 or via email to [Controllers.Office@luzernecounty.org](mailto:Controllers.Office@luzernecounty.org).

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*County Manager*



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**Division of Correctional  
Services**

**MARK ROCKOVICH**  
*Director*

**SAM HYDER**  
*Deputy Warden*

**PETE CWALINA**  
*MOU Manager*

**CHRISTINA OPRISHKO, MA**  
*Treatment Coordinator*

**KATE ROMISKI**  
*PREA Coordinator*

**NICK LERMITTE**  
*Budget and Finance Analyst*

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 of January 1, 2016 to December 31, 2016, conducted by Aaron Hojnowski. I would like to thank you and your staff for their thoroughness in preparing this review and assure you that all observed conditions will be addressed and remedies implemented.

As mentioned in the audit, The Luzerne County Division of Corrections (LCDOC) has implemented the recommendations from 2015 with the exception of the new accounting software program. The obstacle of needing to build a server to handle the new Offender Management System (OMS) and train personnel on this system created delays, but we currently have a "Go Live" date of April 3, 2018 to implement the new OMS system including accounting software that would allow for greater accuracy, efficiency and add a layer of security to the accounts.

I recognize the issue of receiving credits from Keefe Commissary, in fact, the LCDOC's Financial Analyst informed the Controller's Office of the issue and sought advice in handling the issue and calculating the credits owed. We are working with Keefe Commissary to calculate the total credits to be fully reimbursed. We continue to manually track the credits owed and will highly consider the recommendations given by the Controller Office.

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

Mark Rockovich  
Director of Correctional Services  
Luzerne County Division of Corrections