



COUNTY OF DELAWARE

Independent Auditor's Report for the period April 2022 to December 2022

Inmate Trust Fund

Joanne Phillips, Esq., Controller

DECEMBER 15, 2023
COUNTY OF DELAWARE
201 W. FRONT STREET, MEDIA, PENNSYLVANIA 19063

George W. Hill Correctional Facility
Inmate Trust Fund

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CONTROLLER OF COUNTY OF DELAWARE
GOVERNMENT CENTER BUILDING
201 W. FRONT STREET
MEDIA, PENNSYLVANIA 19063

Joanne Phillips, Esq.
CONTROLLER

PHONE 610-891-4441
FAX NUMBER 610-566-3256

Winifred M. Branton, Esq.
SOLICITOR

Jeffrey J. Powers, C.P.A.
FIRST DEPUTY CONTROLLER

Rick Megaro, C.P.P.
DEPUTY CONTROLLER

Independent Auditor's Report

Mr. Kevin Madden, Chairman, Jail Oversight Board
County Council, County of Delaware
201 W. Front St., Media PA 19063

Ms. Laura Williams, Warden
George W. Hill Correctional Facility
500 Cheyney Road
Thornton, PA 19373

Report on the Financial Statements

Opinion

We have audited the cash basis financial statements of the George W. Hill Correctional Facility (GWHCF) Inmate Trust Fund Accounts managed by the County of Delaware, which comprise the statements of assets and liabilities arising from cash transactions and the related statements of receipts and disbursements (the "financial statements") and the related notes to the financial statements. In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Inmate Trust Fund covering the period April 6, 2022 to December 31, 2022 and its cash receipts and disbursements for the period then ended, in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent in auditing the Inmate Trust Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters - Basis of Accounting and Not Full George W. Hill Correctional Facility Financial Statements

We draw attention to the basis of accounting described under Management's Responsibility for the Financial Statement section. The financial statements were prepared by the GWHCF Accounting Department on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements present only the activity of the Inmate Trust Fund and do not purport to, and do not, present fairly the financial position or results of operations of the George W. Hill Correctional Facility, for the period April 6, 2022 to December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The George W. Hill Correctional Facility management is responsible for the preparation and fair presentation of the Inmate Trust Fund's financial statements in accordance with the accounting practices prescribed or permitted by *GAS*, this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Inmate Trust Fund's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

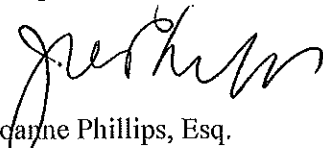
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *GAS* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS and *GAS*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Inmate Trust Fund's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Inmate Trust Fund's ability to continue as a going concern for a reasonable period of time. We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, Internal Audit included in this report our consideration of the Inmate Trust Fund's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Inmate Trust Fund's internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Inmate Trust Fund's internal control over financial reporting and compliance.



Jeanne Phillips, Esq.
Controller

December 15, 2023

George W. Hill Correctional Facility Inmate Trust Fund Accounts
County of Delaware, Pennsylvania
Statement of Assets and Liabilities – Cash Basis
For the period April 6, 2022 to December 31, 2022

| Assets | | |
|----------------------------|--|-------------------------|
| Cash in bank- Inmate Trust | | <u>\$837,288</u> |
| Total Assets | | <u><u>\$837,288</u></u> |
| Liabilities | | |
| Liability to Inmates | | <u>\$837,288</u> |
| Total Liabilities | | <u><u>\$837,288</u></u> |

George W. Hill Correctional Facility Inmate Trust Fund Accounts
County of Delaware, Pennsylvania
Statement of Receipts and Disbursements – Cash Basis
For the period April 6, 2022 to December 31, 2022

Receipts

| | |
|------------------------------|--------------------|
| Inmates' cash deposits | \$2,607,398 |
| Bank debit void transactions | \$325,567 |
| Inmates' payroll deposits | \$96,178 |
| Transfer from GEO | \$515,765 |
| Total Receipts | \$3,544,908 |

Disbursements

| | |
|--------------------------------------------------------|--------------------|
| Inmate commissary purchases | \$1,025,670 |
| Inmate processing fees | \$188,285 |
| Inmate telephone charges | \$649,231 |
| Payments to discharged inmates | \$559,880 |
| Inmates authorized disbursements | \$4,513 |
| Inmate Tablet services | \$237,448 |
| Postage | \$258 |
| Bank credit void transactions | \$44,023 |
| Bank corrections | \$315 |
| Stop payment fee | \$70 |
| Property damage | \$5,072 |
| Medical | \$2,995 |
| Under \$1 accounts | \$40 |
| Total Disbursements | \$2,717,799 |
| Excess of cash receipts over cash disbursements | \$827,109 |
| Account balance at April 6, 2022 | \$0 |
| In-transit adjustments | \$10,179 |
| Account balance at December 31, 2022 | \$837,288 |

The accompanying notes are an integral part of these financial statements.

George W. Hill Correctional Facility Inmate Trust Fund Accounts
County of Delaware, Pennsylvania
Notes to Financial Statements
For the period April 6, 2022 to December 31, 2022

Note 1: Summary of significant accounting policies

Background and nature of the reporting entity:

The George W. Hill Correctional Facility (GWHCF) is a county jail located in County of Delaware, Pennsylvania, in the townships of Thornbury and Concord. Beginning in 1998, the jail was managed and operated by Boca Raton, Florida's GEO Group until 2009 and was run by West Caldwell, New Jersey based company, Community Education Centers (CEC). In April 2017, GEO Group completed an acquisition of CEC, regaining management of the jail.

On September 28, 2021, the County of Delaware, through its Jail Oversight Board (JOB), voted to terminate the contract with GEO Group Inc., which was awarded a five-year, \$295 million contract in 2018 to run the 1,883-inmate jail by the then-county Board of Prison Inspectors. The contract with GEO included a 180-day termination clause. The decision to terminate the contract was approved by the Delaware County Council on October 6, 2021. Effective April 6, 2022, the JOB, took the operational and management control of the GWHCF from the GEO Group. In accordance with applicable law, the JOB is responsible for overseeing the government and management of the institution.

The audited financial statements of the Inmate Trust Fund (ITF) accounts are primarily operating accounts that receive monies from the inmate accounts for purchases from the commissary, phone calls, personal property purchases, legal services and family support. The ITF acts as the inmate's bank account and serves to manage the inmate's monies while incarcerated. A total of 3,868 transactions were processed, with total debits of \$3.04 million and total credits of \$2.72 million occurred between April 2022 and December 2022. The Inmate Trust Fund is also a significant component of Delaware County reintegration efforts to prepare offenders for being financially responsible upon release. Additionally, a reputational risk to the organization exists should an inmate's funds not be managed appropriately.

Since April 2022, both the ITF and the Inmate Welfare Fund (IWF) were not booked and recorded in the General Ledger (GL) of Delaware County as a separate fiduciary fund (kept separate, not commingled with other County funds, and not used to support the operations of the County). It is recommended that both the ITF and the IWF be booked and recorded in the GL of the County as a separate fiduciary fund to track and account for the activity of these accounts.

Basis of accounting:

The books and records of the GWHCF Inmate Trust Fund (ITF) accounts are maintained on the cash basis of accounting and, therefore, the financial statements presented herein do not purport to present the account balances and results of operations in conformity with generally accepted accounting principles. The cash basis of accounting is another comprehensive basis of accounting. Consequently, receipts are recognized when received rather than when assessed or otherwise due and disbursements are recognized when paid rather than when the obligation is incurred.

Turnover of cash accountabilities:

On April 6, 2022, the County of Delaware terminated its contract with the GEO Group. As part of the handover of accountabilities, the GEO Group turned over cash for the Inmate Trust Fund to GWHCF.

The Statement of Assets and Liabilities – Cash Basis covering the period April 6 to December 31, 2022 includes a turnover of liability to the inmates amounting to \$515,765 from the account of GEO Group (GEO) to the bank account of GWHCF Inmate Trust Fund (ITF). This was composed of: a) Account balances of inmates since 1997 by GEO, composed of 31,508 records of inmates totaling \$523,820; b) Less: deposit in transit of inmate payroll to County account of \$2,324.50; and c) Less: deposit in transit of electronic fund transfer of deposits of \$5,730.10.

Note 2: Characteristics of the inmate trust fund

George W. Hill Correctional Facility (GWHCF) uses Global Tel Link (GTL) Connect Network, (known as and doing business as ViaPath Technologies) to facilitate family members and friends to make deposits directly into the Inmate Trust Fund account that can be used for communication services. The contract with ViaPath started on January 2009 and been continually renewed by GWHCF. A new contract for a two-year renewal was signed on February 24, 2022 which expires on August 25, 2024.

ViaPath provides the following services based on existing contract and subsequent amendments: a) Command Inmate Telephone System, b) Offender Management System (OMS), including all support and maintenance; c) Payment Services, including web deposits, lobby kiosks (2), and booking kiosk; d) 1:1 Wireless Tablet Program; e) Foundations Education Package with Cypher Worx Learning Management System; f) Offsite Mail Scanning; g) Video Visitation; h) Intelligence Application Suite ; i) Full-time Fusion Analyst; and j) Full-time, On-Site Service Technician.

When an inmate is booked, they deposit money into the Global Tel Link (GTL) Intake Kiosk with a 9999 number. This kiosk creates two receipts: one for the inmate and another for the prison staff. After they are booked, the money is moved from the 9999 account to the individual inmate account that is created in the GTL accounting system – known as Offender Management System (OMS) Accounting –specifically designed to meet the needs of correctional facilities of every size. The 9999 account is reconciled daily by GWHCF staff to verify that funds are properly posted to the correct inmate accounts in the OMS system. This OMS system tracks a variety of particulars for each inmate, including their balance in the overall Inmate Trust Fund, housing, dietary needs, and religious affiliation.

Note 3: Administrative Expenses

The George W. Hill Correctional Facility, managed and operated by County of Delaware through its Jail Oversight Board, rendered accounting and administrative services to the Inmate Trust Fund (ITF). No administrative charges were made to the ITF for these services.

Note 4: Bank Voids and in-transit items

a) The Cash in Bank- Inmate Trust account of \$837,113 as compared against the December 31, 2022 ending balance of the General Ledger (GL) of \$837,288 showed a difference of \$175. These were caused by five (5) Stop Payment errors and reversals transactions at \$35 each covering the months of May, June, and December 2022 of which the OMS System does not recognize

transaction reversals. However, while GWHCF referred this matter to the ViaPath technical support for proper disposition, this condition remained unresolved.

b) The Statement of Receipts and Disbursements showed bank debit void transactions totaling \$325,567 and bank credit void transactions totaling \$44,023. Both were caused mainly by stale-dated checks, wrong amount on check, stop payment requests from inmates and request for reissuance of new checks. There were three instances of failed fraud attempts through use of forged checks (a check issued for \$14,500 on August 2022, a check of \$11,917.88 issued on September 2022 and another for \$928 on December 2022) which were uncovered through Positive Pay, an automated cash-management service used by banks, to deter check fraud. According to GWHCF, these cases were referred to the Internal Affairs of the facility for coordination with the Delaware County- Criminal Investigation Division.

c) The Statement of Receipts and Disbursements showed an in-transit adjustments totaling \$10,179 due to timing difference of entries.

Note 5: Definition of terms on expenditures

The George W. Hill Correctional Facility (GWHCF) ITF account was originally created to provide commissary items to the inmate. Disbursements include payments for commissary items which were purchased either by phone or through the inmate's tablet. An inmate can use their funds in their individual account for third party check requests, for items such as legal fees. These third-party requests need to be approved by case management before the check will be issued. An inmate's account can be funded by family and friends either by electronic fund transfer or money order. Electronic fund transfer payments are processed through a portal and funds are deposited into the Inmate Trust Fund account. For money order payments, GWHCF Accounting, deposits these into the Inmate Trust Fund account and records them in the OMS system.

- a) Bank voided transactions – this occurs when an item appears on the bank statement that is different than what appears on the general ledger, an example of this is a deposit entered in to the general ledger is \$500.00 but on the Bank statement it shows as \$501.00 or another example would be if a check was cancelled in the system due to a stale date but the bank cashed the check.
- b) Incarcerated Person (IP) Payroll – the IP workers of the institution payment for work at the facility.
- c) Inmate commissary purchases – ordering or payment to Aramark, a third-party vendor, for commissary orders by the inmate.
- d) Inmate telephone charges – use of the facility phone system to call friends and family – outgoing calls only, charges for this are withdrawn from the IP account and then paid to ViaPath.
- e) Inmate Tablet services– Inmates were allowed to purchase time on electronic communication devices (tablets) provided by ViaPath. Tablets are given to the inmates free of charge and provide various services to include; mail, commissary ordering, radio, books, educational programs, and legal research. There are also pay as go items like premium movies, books, video calling to friends and family, texting, and video games.
- f) Inmate processing fee – all incarcerated persons are automatically charged this fee when booked into the facility.
- g) Postage – Postage is charged and collected from the inmate to mail out their permissible mail.
- h) Property Damage – an inmate is charged if they are found responsible for damaging facility property to include clothing, mattresses or to the physical institution as per JOB approved policy.
- i) Medical – Medical copays for services including emergency, mental health, dental and routine sick calls are charged to the IP as outlined in the Inmate Handbook.

- j) Stop Payments fee – If a check is to be cancelled at the request of the inmate a stop payment fee is charged.
- k) Under \$1.00 – any inmate released have under \$1.00 from their books release the funds to the inmate welfare account per JOB approved policy.
- l) Inmate authorized disbursements – these payments are requests from the inmate to send money out of the institution from their trust account to a third party (family or attorney are the most common).
- m) Payments to discharged inmates - inmates who are released from prison are issued a check for the remainder of their balance in their commissary account on the day that they are released.

Note 6: Inmate payroll

The inmate's account is also funded by Inmate Payroll. Eligible inmates can work jobs within the prison, normally within their unit. These jobs have set rates. GWHCF must complete weekly spreadsheets indicating the jobs each inmate performed. Inmates are allotted a maximum of two jobs. These payroll reports are submitted to GWHCF Accounting who reconciles weekly and enters the data into the OMS system.

Note 7: Inmate processing fee

In April 2020, the Jail Oversight Board (JOB) decided to approve the waiver of the \$100 processing fee due to the COVID outbreak. From that period to May 2022, the collection of processing fee of \$100 was suspended. However, effective June 1, 2022, the processing fee of \$100 was reinstated by the JOB. On October 2022, the processing fee of \$100 was reduced to \$50. For the period April 2022 to December 2022, a total processing fee of \$188,285 was collected. However, it was noted that there were discrepancies in the billing and collection of the processing fee. For example, for the sample period July 2022 : a) 249 inmates which were not billed with a processing fee but fees were collected nonetheless at a total of \$15,981 b) 16 inmates were billed in excess of \$100 totaling \$3,142 with an aggregate overcollection amount of \$1,542 ; and c) 271 inmates were billed with \$100 but no collection was made.

GWHCF confirmed that if an inmate has an outstanding balance from past incarcerations and if they receive any new deposits, half of their deposit is applied to the outstanding balance and the other half is placed in the ITF. This practice was used to recover amounts owed while still allowing the inmate to make purchases during their current incarceration. Cost recovery items are charged to ITF and then collected at a rate 50% per deposit until the debt is paid. If an inmate is released from custody and then returns to the institution any balances owed would stay on their account. Account balances owed by inmates are derived from cost recovery items which include copayments for medical, dental charges and damage to prison property. However, there are no collection initiatives, tracking schedule or aging of receivables to ensure proper disposition.

Note 8: Proofing of General ledger balances

The GWHCF General Ledger (GL) balances were generally found to tie up with the subsidiary ledger (SL) and supporting documents. However, the reconciled GL balance of the Cash in Bank amounting to \$574,071.163 as of November 30, 2022 does not tally with its SL balance of \$585,498.01 or a difference of \$11,426.38. According to GWHCF accounting, the difference occurred due to a system glitch resulting in a failure to capture the last 40 transactions in the Summary Reconciliation Report. This was referred to GTL and corrected in December 2022. Thereafter, GTL performed a complete review of the system errors and came up with rectified GL Bank Statements (covering April to December 2022) on December 1, 2023.

George W. Hill Correctional Facility Inmate Trust Fund Accounts
County of Delaware, Pennsylvania
Report on Internal Control Over Financial Reporting, Compliance, and Other Matters
For the period April 6, 2022 to December 31, 2022

In planning and performing our audit of the financial statement of the George W. Hill Correctional Facility Inmate Trust Fund in accordance with auditing standards generally accepted in the United States of America for the period April 6, 2022 to December 31, 2022, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As part of obtaining reasonable assurance about whether the Fund's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect in the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The report is intended solely for the information and use by the County of Delaware's Jail Oversight Board, the management of the George W. Hill Correctional Facility and other affected County offices, and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.