



12/12/2024

COUNTY OF DELAWARE
Independent Auditor's Report for the
period January to December 2023
Inmate Welfare Fund

Joanne Phillips, Esq., Controller
COUNTY OF DELAWARE

George W. Hill Correctional Facility
Inmate Welfare Fund

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Independent Auditor's Report

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Report on the Financial Statements of the Inmate Welfare Fund

Opinion

We have audited the cash basis financial statements of the George W. Hill Correctional Facility (GWHCF) Inmate Welfare Fund Accounts managed by the County of Delaware, which comprise the statements of assets and account balances 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 Welfare Fund covering the period January 1, 2023 to December 31, 2023 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 Welfare Fund (IWF) 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 IWF and do not purport to, and do not, present fairly the financial position or results of operations of the GWHCF, for the period January 1, 2023 to December 31, 2023 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 GWHCF management is responsible for the preparation and fair presentation of the IWF'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 IWF'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:

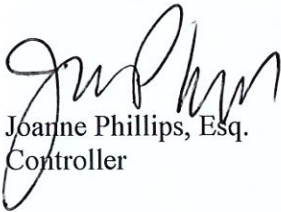
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 IWF'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 IWF'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 Department included in this report our consideration of the IWF'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 IWF'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 IWF's internal control over financial reporting and compliance.



Joanne Phillips, Esq.
Controller

December 12, 2024

George W. Hill Correctional Facility Inmate Welfare Fund Accounts
County of Delaware, Pennsylvania
Statement of Assets and Account Balance – Cash Basis
For the period January 1, 2023 to December 31, 2023

Assets		
Current Assets		
Cash in Bank		
Welfare Checking Account	\$3,928,926	
Total Cash in Bank	\$3,928,926	
Total Current Assets	\$3,928,926	
Total Assets	\$3,928,926	
Account Balance		
Inmate Welfare Fund Balance	\$3,928,926	
Account Balance	\$3,928,926	

George W. Hill Correctional Facility Inmate Welfare Fund Accounts
County of Delaware, Pennsylvania
Statement of Receipts and Disbursements – Cash Basis
For the period January 1, 2023 to December 31, 2023

Receipts	
Commissions	\$543,220
Confiscated Funds	\$2,122
Due to County - Under a Dollar	\$48
Interest Income	\$113,855
Total Receipts	\$659,245
Disbursements	
Bank Service Charges	\$12
Education	\$994
Indigent Supplies	\$13,714
Law Library - Legal Subscription	\$134,904
Postage and Delivery	\$30
Publications	\$25,704
Repairs and Maintenance	\$12,600
Resident Hygiene	\$10,326
Resident Recreation	\$113,444
Transfer	\$81
Total Disbursements	\$311,809
Excess of cash receipts over cash disbursements	\$347,436
Fund balance at December 31, 2022	\$3,581,490
Fund balance at December 31, 2023	\$3,928,926

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

George W. Hill Correctional Facility Inmate Welfare Fund Accounts
County of Delaware, Pennsylvania
Notes to Financial Statements
For the period January 1, 2023 to December 31, 2023

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 a private for-profit corporation, GEO Group Inc. (GEO), until 2009 and then run by Community Education Centers (CEC) until April 2017 when GEO completed an acquisition of CEC, regaining management of the jail.

GEO 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. On September 28, 2021, the County of Delaware (County), through its Jail Oversight Board (JOB), voted to terminate the contract with GEO. The decision to terminate the contract was approved by the Delaware County Council on October 6, 2021.

Effective April 6, 2022, the County, took the operational and management control of the GWHCF from the GEO. 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 Welfare Fund (IWF) accounts are primarily operating accounts that receive monies from sales commission on purchases from the commissary and interest income. The IWF is funded primarily through the collection and disbursement of inmate funds in association with the operation of the jail's commissary.

The IWF, as a custodial fund and a restrictive account, shall be available for the uses and purposes of the inmate's welfare.

Basis of accounting:

The books and records of the GWHCF IWF 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 (GAAP). 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.

The IWF was previously managed using an accounting framework that classified the fund balance under Owner's Equity, which does not comply with GAAP standards, particularly for cash-basis, restricted fund accounting. To address this issue and ensure compliance with accounting standards, the IWF balance was reclassified to accurately reflect its nature as a restricted fund.

Turnover of cash accountabilities:

An amount of \$3,928,926 was recorded as the Inmate Welfare Fund (IWF) balance in the Statement of Assets and Account Balance – Cash Basis for the period January 1, 2023 to December 31, 2023. This total includes \$3,502,756 which was transferred from GEO to the County of Delaware (County) in April 2022 as part of the turnover of cash accountabilities.

On April 6, 2022, following the termination of the GEO contract, GEO transferred \$3,502,756 in cash to the GWHCF bank account. This amount consisted of the following: a) \$3,493,687 as the Inmate Welfare account balance; b) \$2,118 as a transfer from the Inmate Work Release Funds; c) \$6,344 for pending transactions incurred under GEO, subsequently turned over to the County; d) \$3,029 owed to Aramark (the commissary provider) by GEO; and e) \$2,422.60 payable to GEO for inmate payroll.

Note 2: Cash in Bank

The County maintained a checking account for its Inmate Welfare Fund (IWF) with TD Bank, which had a balance of \$3,928,926 as of December 31, 2023. This amount formed part of the County's cash custodial funds as of December 31, 2023 and was included in the County's general ledger. The balance consisted of the following: a) Turnover of cash from GEO totaling of \$3,502,756; b) Net cash receipts in excess of disbursements of \$385,943, primarily derived from commissary sales commission and interest income for the period January to December 2023; and c) A carry-over account balance of \$78,734 from the prior period (April 2022 to December 2022).

The balance in the IWF checking account reflects limited utilization of the fund, attributable to its restrictive use and the absence of a welfare priority program. The County is tasked with ensuring that IWF resources are effectively allocated to benefit the incarcerated population in compliance with applicable law. The JOB has requested GWHCF to provide recommendations on strategies to utilize these funds..

Note 3: Interest Income

For the period January to December 2023, the IWF earned interest income of \$113,855, compared to \$23,113 in the previous year. This increase resulted from a rise in interest rates negotiated by the County's Office of the Treasurer with TD Bank (the depository bank).

Interest income from TD Bank's balance changed throughout 2023, with annual interest rates as follows: 2.17% in January, 2.27% in February, 2.32% in March, 2.68% in April, 2.86% in May, 2.99% in June and July, 3.07% in August, 3.09% in September, and 4.07% in October, November, and December.

Note 4: Law Library - Legal Subscription

Under the management of Delaware County, GWHCF entered into a contract with Thomson Reuters on December 7, 2022, for a period of five years, with a cost not to exceed \$553,000, to support its Law Library Services through the Inmate Welfare Fund (IWF).

Prior to this contract, GWHCF had recognized and implemented an existing agreement that GEO Group had previously established with Thomson Reuters for Law Library Services using the IWF.

For the period January 1, 2023 to December 31, 2023, the Thomson Reuters subscription accounted for \$120,472 of the \$134,904 total that GWHCF paid for legal subscription expense. This \$120,472 amount represents 40% of the total cash disbursements for the year.

Note 5: Administrative Expenses

The GWHCF, managed and operated by County of Delaware through its Jail Oversight Board (JOB), rendered accounting and administrative services to the IWF through the staff of GWHCF. No administrative expenses were charged to the IWF for these services.

Note 6: Commissary Commissions

The GWHCF IWF account was established to facilitate inmate purchases of commissary items including food, beverages, clothing, and personal items. Prior to the transition of GWHCF management from GEO to County of Delaware, GEO used a different independent commissary vendor until March 31, 2022. Effective April 1, 2022, Aramark Global Business Services (Aramark) took over as the commissary vendor.

For the months January to December 2023, Aramark generated a net revenue of commissary purchases of \$1.46 million and a total of \$543,220 sales commission was paid by Aramark to the County and deposited into the IWF account for use as permitted by law.

A breakdown of the \$543,220 sales commission paid to the County disclosed that it was derived from sales commissions totaling \$236,488, based on a 47% commission rate for the period January 2023 to April 2023. The remaining sales commission totaling \$308,731, was based on a 32% commission rate for the period May 2023 to December 2023. This reduction in the commission rate is supported by a signed amended contract by Aramark and GWHCF management. In May 2023, the Warden's Report documented that the JOB voted to approve the reduction, following GWHCF's recommendation.

Note 7: Resident Recreation Expenses

The majority of this expense includes the purchase of fitness center equipment totaling \$68,810 composed of 14 Supermax 4 Stations multi exercise units and 28 pullup bars from Websters Fitness Products Inc., a vendor based in Pennsylvania. The purchasing process was made through the Central Purchasing Department of the County of Delaware. This purchase represents 25% of the inmate welfare expenses for the audit period. The purchase was approved by the JOB and County Council.

On September 22, 2022, the County Council approved a \$36,807 bid from Cortech USA, a manufacturer of molded furniture for corrections facilities, excluding freight costs. On November 18, 2022, two checks totaling \$38,507 were issued to Cortech USA for weighted chairs. However, GWHCF initially recorded this purchase as Furniture and Equipment as part of its asset account instead of properly recording it as a cash disbursement. This necessitated an adjusting entry to correct this classification in the 2023 financials.

George W. Hill Correctional Facility Inmate Welfare Fund Accounts
County of Delaware, Pennsylvania
Report on Internal Control Over Financial Reporting, Compliance, and Other Matters
For the period January 1, 2023 to December 31, 2023

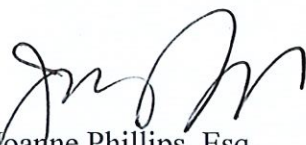
In planning and performing our audit of the financial statement of the George W. Hill Correctional Facility Inmate Welfare Fund (Fund) in accordance with auditing standards generally accepted in the United States of America for the period January 1, 2023 to December 31, 2023, we considered the Fund's 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.


Joanne Phillips, Esq.
Controller