

**COUNTY COUNCIL OF WICOMICO COUNTY, MARYLAND**

2019 Legislative Session

Legislative Day No. 02

**Resolution No. 40-2019**

Introduced by: The President of the Council

**A RESOLUTION ACCEPTING THE AUDIT REPORT ON THE  
WICOMICO COUNTY DETENTION CENTER  
INMATE CASH ACCOUNTS**

WHEREAS, under Section 305, titled "County Internal Auditor" of the Charter of Wicomico County, Maryland, the Internal Auditor is charged with the duty to report on internal accounting controls, administrative and operating practices and procedures, and other pertinent financial and compliance matters within Wicomico County; and

WHEREAS, the Internal Auditor has submitted an Audit Report on the Wicomico County Detention Center Inmate Cash Accounts. The objectives of the audit were as follows: (1) Gain an understanding of how the Inmate Account is funded; (2) Access internal controls and accountability of bank account(s) and funds; (3) Ensure the funds are being spent in a manner that is appropriate and to the benefit of the inmates; and (4) Make recommendations (if appropriate).

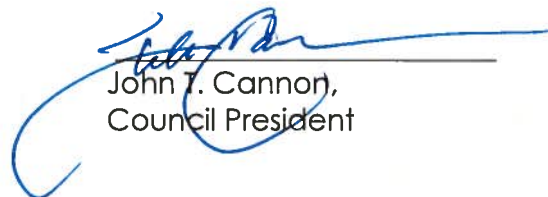
NOW, THEREFORE, BE IT RESOLVED, by the County Council of Wicomico County, Maryland that the Wicomico County Detention Center Inmate Cash Accounts Audit Report, attached as Exhibit A, is accepted.

Done at Salisbury, Maryland, this 15<sup>th</sup> day of January, 2019.

ATTEST:

COUNTY COUNCIL OF  
WICOMICO COUNTY, MARYLAND

  
\_\_\_\_\_  
Laura Hurley,  
Council Administrator

  
\_\_\_\_\_  
John T. Cannon,  
Council President

CERTIFICATION

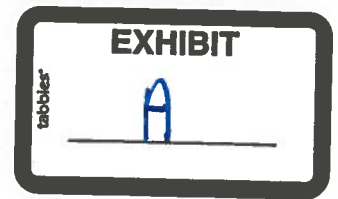
This Resolution was Adopted , Adopted with Amendments , Failed , Withdrawn  by the County Council on January 15, 2019.

Certified by   
\_\_\_\_\_  
Laura Hurley, Council Administrator



**Wicomico County, Maryland**  
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November 28, 2018

## **Internal Auditor's Report**

The County Council of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Council Resolution No. 81-2018, the Office of the Internal Auditor has conducted an audit of the fiduciary accounts related to the Department of Corrections. A report submission is herewith. The purpose of the audit was to gain an understanding of the accounting methodology and internal controls employed to track and spend the fiduciary accounts managed by accounting staff at Department of Corrections.

We conducted the audit with due professional care, and we planned and performed the audit to obtain reasonable assurance about the management and expenditure of funds in accordance with applicable codes or policies. Further, we tested whether those policies and procedures are adequate to obtain an acceptable level of control.

We extend our appreciation to Management and Staff from Department of Corrections, Department of Finance, and the Executive Administration for their timely cooperation and assistance during the audit.

Respectfully submitted,

*J. Stephen Roser, CPA*

J. Stephen Roser, CPA  
Internal Auditor

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## **Audit Report**

### **Background**

The purpose of the audit was to gain an understanding of the accounting methodology and internal controls employed to track and spend the fiduciary accounts managed by the accounting staff at the Department of Corrections (DOC). Four bank accounts exist, each with a different purpose:

1. Funds that belong to inmates as a population
2. Money earned through work release and similar programs that DOC transfers to the County
3. Money that belongs to individual inmates
4. Funds that belong to correctional staff as a population

Administration of the accounts is the responsibility of DOC Management. Management of the accounts is in QuickBooks and CORE<sup>1</sup>. DOC accounting personnel send reports to County Finance for the entrance of fiduciary account activity into Munis.

### **Objectives**

The objectives of the audit were to:

1. Gain an understanding of the how the Inmate Account is funded
2. Assess internal controls and accountability of bank account(s) and funds
3. Ensure the funds are being spent in a manner that is appropriate and to the benefit of the inmates
4. Make recommendations (if applicable)

### **Scope and Methodology**

The audit periods that were examined are for FY 2016 to date. We performed observations and inquiries with appropriate personnel, as well as examination of various documents and system information pertaining to the management and accounting for the Inmate Account. The scope was open-ended and expanded during the course of testing.

### **Bank Accounts Overview**

The DOC currently maintains three commercial bank accounts at M&T Bank and one at BB&T Bank as follows:

1. Inmate Welfare Fund Account
2. Work Release Account
3. CORE Account
4. Correctional Employees of Wicomico Fund (BB&T)

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<sup>1</sup> Please see the explanation of CORE in a subsequent section of this report

## Inmate Welfare Fund Account

According to Corrections Officials during the previous audit:

*This account receives deposits from commissions from commissary sales to the inmate population, commissions from the inmate telephone system, and commissions from vending machine sales located throughout the Department. This account is called the "Inmate Welfare Fund" and is permitted under Maryland ACM Title 11 subtitle 9 "Inmate Welfare Funds." This account is reconciled monthly by the [DOC] Accountant with the results forwarded to the Finance Department along with supporting documentation. Additionally, the reconciliation of this account will be reviewed for accuracy and completeness on a quarterly basis by the Finance Department. It should be noted that the Accountant is authorized to sign checks from this account but only when the other signatories are not available and then only under exigent circumstances.*

DOC spends the funds to the benefit of the inmates, expenditures include: library supplies, medical, educational, recreational supplies or equipment, and special holiday activities. Accounting of the fund is in QuickBooks and DOC Accounting sends monthly reports to County Finance for recordation into Munis.

DOC splits the profits from vending machines for both Inmate Welfare and the Officer's Fund. Until recently, accounting for the Officer's Fund was within the Inmate Welfare Account; however, Management opened a new account at BB&T, detailed later in this section.

## Work Release Account

This account is simply a transfer account used to transfer funds paid by inmates on work release as required. DOC Accountant transfers these funds via check to the Wicomico County General Fund. An accounts receivable is maintained on this account which helps keep track of past due balances of inmates. Accounting for this fund, like the Inmate Welfare Fund, is in QuickBooks.

## CORE Account

The CORE Account, among other things, is a repository for cash in the possession of inmates at the time of incarceration. This account is part of an integrated system to allow for, and account for, inmate transactions. Others, on behalf of inmates as well as the inmates themselves, can deposit cash into the inmate's account via telephone, a website, or directly through the kiosk. ARAMARK provides accounting software to handle all transactions. Each inmate has his/her own separate account in the CORE system. The software produces reports and is similar to the WORKS<sup>2</sup> program provided by Bank of America for our purchase card transactions. Staff manually enters initial deposits of inmate funds from the one-way receptacle at the time of booking into the system. Deposits consist of only cash, or near cash items (i.e. government checks, money orders).

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<sup>2</sup> Please see previous Purchase card Audit Reports for a description of the WORKS program from Bank of America

## Correctional Employees of Wicomico Fund Account

The "Officer's Fund" is a new account at BB&T that was still being established during the audit. Management spent down the funds that existed inside the Inmate Welfare account and the new account will accumulate from zero. Funding for this account consists of a portion (20%) of the vending machine proceeds and expenditures are to benefit the employees. Examples of expenditures are employee events and employee recognition.

## Conclusion

Based on testing, evidence gathered, and interviews performed pursuant to the Inmate Cash Accounts Audit, the Auditors are of the opinion that the handling of the inmate funds is at a level adequate<sup>3</sup> to the criteria tested for the existence of and adherence to appropriate internal controls.

## Findings and Recommendations

The findings listed below represent some key issues that warrant discussion as an added feature to the audit process. The findings do not rise to the level of concern that material weakness would garner.

### 1. Closing Entries

Several expense categories seem incorrect on reports generated from QuickBooks. The Auditors recommend adjusting journal entries to correct balances in Accounts Payable and Expenditures.

### 2. County Purchase Cards

The Inmate Welfare Fund does not have a debit card, so the DOC Accountant uses checks for all expenditures from the account. Occasionally, Management used County purchase cards for Welfare Fund expenses and coded them to a specific reimbursement account within the WORKS program. Management later writes a check from the Inmate Welfare Account to the County to reimburse the purchase made on the purchase card(s). We recommend management discontinue using County purchase cards for fiduciary transactions.

### Management Response

*The approval of use of purchase cards for inmate related expenses came from former Finance Directors of Wicomico County. Downtown created the account for use of the purchase card for Welfare Fund expenses.*

*(continued on next page)*

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<sup>3</sup> According to the IPPF Practice Guide issued March 2009: "Adequate system of internal control means that findings are subject to reservations. A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions may be at too early a stage to allow a satisfactory audit opinion to be given."

### 3. Submissions to Finance Department

As on-going oversight of the QuickBooks managed accounts, DOC Accounting had been submitting reports to County Finance on a monthly basis. During our audit, we found that submissions of reports and reconciliations of the accounts were not always timely and were as many as six months behind. County Finance depends on the submittals to close their books and file any necessary reports. We recommend submitting all reports monthly, as agreed, to allow for oversight and to provide a reasonable amount of time for County Finance to process the reports for their purposes. In our prior audit, we understood DOC transfers proceeds from the work release program to the County General Fund on a monthly basis. In the past couple of years, the transfer happened annually, right after the end of the fiscal year. We recommend DOC Management collaborate with County Finance to determine the best interval for transferring the funds.

#### *Management Response*

*Due to vacancies not being filled timely, resulted in the reports not being done timely. Two positions were vacant for at least 6 months. Everything is now current date.*

### 4. Policy for Unclaimed Funds

Unclaimed funds are funds that belong to inmates that are no longer at the facility. Currently, DOC Accounting holds funds indefinitely, and as a result, the balance is continually accumulating. We recommend Management look into developing a policy for unclaimed funds and research possibilities for relieving the County of liability for the funds after a specified time.

#### *Management Response*

*From my understanding this issue has been on the table since 2010. The Director of Finance was looking into this.*

### 5. Policy and Procedures for Bad Debts

There do not appear to be policies and procedures in place to collect past due accounts in the Work Release Account. We recommend Management develop policies and procedures to collect bad debts. There were thousands of individual inmate accounts with balances, either funds owed to inmates or funds owed to DOC. We recommend an analysis of the bad debts account to test the validity of accounts and to bring the balance to a manageable state.

#### *Management Response*

*There was a policy in place. Community Corrections was sending the accounts to the Law Office for Wicomico County. I will need to follow up on this to see if it is still in process.*

### 6. Dormant Accounts

We recommend an analysis of the dormant accounts. There are many balances in QuickBooks sub accounts with no activity in over a decade and Management should investigate their validity.

*Management Response*

*QuickBooks hasn't been used for accounting [for the dormant accounts] since 2004.*

**7. Bank Reconciliations**

Account reconciliations are the responsibility of the DOC Accountant. The DOC Accountant has a conflicting role because the position is also responsible for writing and signing the checks. We highly recommend that Management separate the responsibilities to increase internal control of the accounts. Further, the bank delivers the statements without check images attached. We recommend Management work with the bank(s) to have check images included with the statement for easy review of the reconciler.

*Management Response*

*The DOC Accountant will no longer sign them. We have access to Online Banking to retrieve any and all check images.*

**Auditor's Closing Remark**

The Wicomico County Office of the Internal Auditor would like to thank management and staff from Department of Corrections, Department of Finance, and the Executive Administration for their timely cooperation and assistance during the audit.