



**County of Chester
Office of the Controller
Internal Audit Department**

**Audit Report
For the Years Ended
December 31, 2013 and 2012**

*County of Chester
Office of the Sheriff*

Annual Financial Statement
Audit

Norman MacQueen, Controller

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
ANNUAL FINANCIAL STATEMENT AUDIT
AS OF DECEMBER 31, 2013 and 2012

Carolyn B. Welsh, Sheriff
Chester County Justice Center
Office of the Sheriff
201 West Market Street, Suite 1201
West Chester, PA 19380

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012
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NORMAN MACQUEEN
Controller

Internal Auditor's Report

Carolyn B. Welsh, Sheriff
Chester County Justice Center
201 W. Market Street, Suite 1201
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Report on the Financial Statements

We have audited the accompanying financial statements of the Office of the Sheriff (*Sheriff*), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2013 and 2012, and the related statements of cash receipts, disbursements and cash balances for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; 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 financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to annually audit the accounts of every row office within the County and to report the results of such audits to the Chester County Commissioners, the Chester County Court of Common Pleas, the Auditor General of Pennsylvania, and to the governing body of each political subdivision which is entitled to receive funds collected on its behalf by the *Sheriff*.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

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 *Sheriff* as of December 31, 2013 and 2012, and its cash receipts, disbursements and cash balances for the years then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared 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.

Other Matter

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated September 25, 2014 on our evaluation of the *Sheriff's* internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, policies and/or procedures. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is to be read in conjunction with this report in considering the results of our audit.



Norman MacQueen
Controller

September 25, 2014

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Cash - Operating	\$ 2,088,495	\$ 2,513,779
Cash - Surcharge	28,211	34,255
Cash - Imprest Fund	5,000	5,000
Cash - Petty Cash/Change Fund	<u>350</u>	<u>350</u>
Total Assets	<u><u>\$ 2,122,056</u></u>	<u><u>\$ 2,553,384</u></u>
 <u>Liabilities</u>		
County of Chester	\$ 111,200	\$ 88,000
Commonwealth of PA	30,097	36,519
Restricted Funds - Settlement/Escrow	1,975,409	2,423,515
County of Chester - Imprest Fund	5,000	5,000
County of Chester - Petty Cash/Change Fund	<u>350</u>	<u>350</u>
Total Liabilities	<u><u>\$ 2,122,056</u></u>	<u><u>\$ 2,553,384</u></u>

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

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
OPERATING ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Receipts</u>		
Settlement/Escrow	\$ 11,806,637	\$ 9,150,517
County of Chester	1,224,428	1,078,774
Commonwealth of PA – Validation	12,866	11,884
	<hr/>	<hr/>
Total Receipts	13,043,931	10,241,175
<u>Disbursements</u>		
Settlement/Escrow	12,254,742	8,235,787
County of Chester	1,201,228	1,086,273
Commonwealth of PA – Validation	13,244	11,141
	<hr/>	<hr/>
Total Disbursements	13,469,214	9,333,201
Cash Increase (Decrease)	(425,283)	907,974
Cash, Beginning of Year	2,513,779	1,605,805
	<hr/>	<hr/>
Cash, End of Year	<u>\$ 2,088,495</u>	<u>\$ 2,513,779</u>

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

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

**STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
SURCHARGE ACCOUNT**

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Receipts</u>		
Commonwealth of PA – Surcharge	<u>\$ 159,141</u>	<u>\$ 173,465</u>
Total Receipts	159,141	173,465
<u>Disbursements</u>		
Commonwealth of PA – Surcharge	<u>165,185</u>	<u>180,022</u>
Total Disbursements	<u>165,185</u>	<u>180,022</u>
Cash Decrease	(6,044)	(6,557)
Cash, Beginning of Year	<u>34,255</u>	<u>40,812</u>
Cash, End of Year	<u><u>\$ 28,211</u></u>	<u><u>\$ 34,255</u></u>

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

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

Note 1 - Summary of Significant Accounting Principles

Background and Reporting Entity

The *Sheriff* acts as a conduit for the Commonwealth of Pennsylvania, the County of Chester, related political subdivisions, and the citizens it serves. Consequently, the *Sheriff's* cash balance at any point in time represents undisbursed funds to one (or all) of these parties. For financial statement purposes, these undisbursed funds are included as a liability of the *Sheriff*.

The actual operating expenses of the *Sheriff* are paid by the County of Chester. These costs include the salaries and wages of *Sheriff* employees, fringe benefits, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statement of Cash Receipts, Disbursements, and Cash Balance.

Basis of Accounting

The books and records of the *Sheriff* are maintained on the cash 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. Accordingly, the accompanying statements do not present the assets, liabilities, receipts, disbursements, and cash balance in accordance with generally accepted accounting principles.

Note 2 - Legal Matters

Our audit disclosed no pending litigation involving the *Sheriff* or its Sheriff (Carolyn B. Welsh) for the year ended December 31, 2013.

SUPPLEMENTAL INFORMATION

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

**SCHEDULES OF COUNTY OF CHESTER
REVENUES AND DIRECT EXPENDITURES**

**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012
(Unaudited)**

	<u>2013</u>	<u>2012</u>
<u>Revenues</u>		
County Fines and Costs	<u>\$ 1,243,404</u>	<u>\$ 1,138,759</u>
<u>Direct Expenditures</u>		
Salaries and Wages	\$ 3,510,075	\$ 3,523,404
Fringe Benefits	1,516,652	1,480,686
Vehicle Expense	110,627	104,122
Supplies	85,269	61,350
Clothing/Uniform Supplies	58,306	53,686
Professional Services	34,238	55,060
Insurance	32,500	34,500
Telephone/Pagers	21,676	19,333
Equipment Repairs and Maintenance	19,994	13,171
Dues and Memberships	19,215	20,974
Equipment	15,361	22,260
Training and Staff Development	15,230	16,281
Other General Expenditures	13,247	22,193
Postage	12,151	11,121
Employee Travel/Mileage	<u>9,173</u>	<u>15,900</u>
Total Direct Expenditures	<u>\$ 5,473,714</u>	<u>\$ 5,454,041</u>

Note 1: The revenue figure per the County of \$1,243,404 differs from the amount disbursed to the County by the Sheriff of \$1,201,228. This results from the use of the cash basis of accounting by the Sheriff and the modified accrual basis of accounting by the County. The Sheriff recognizes the disbursement as of the check date, while the County recognizes the revenue in the year the fees are collected by the Sheriff.



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NORMAN MACQUEEN
Controller

September 25, 2014

Carolyn B. Welsh, Sheriff
Chester County Justice Center
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

In planning our audit of the financial statements of the Office of the Sheriff (*Sheriff*) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the *Sheriff's* internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Sheriff's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Sheriff's* internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses have been identified.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the *Sheriff's* financial statements will not be prevented, or detected and corrected on a timely basis.

As part of obtaining reasonable assurance about whether the *Sheriff's* financial statements are 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 on 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*.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

We noted certain matters that we reported to management of the *Sheriff* in a separate letter dated September 25, 2014, regarding the Imprest Fund, manual receipts and cash disbursements.

This report is intended for the information of the Chester County Commissioners, the Chester County Court of Common Pleas, the Auditor General of Pennsylvania, and all other political affiliates served by the *Sheriff*. This report is, however, a matter of public record, and its distribution is not limited.



Norman MacQueen
Controller

COUNTY OF CHESTER
OFFICE OF THE SHERIFF
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2013

An exit conference was not warranted for the audit of the Office of the Sheriff, the Sheriff Carolyn B. Welsh, has accepted the report as presented.