



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

**Audit Report  
For the Years Ended  
December 31, 2015 and 2014**

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*County of Chester  
Office of the Sheriff*

Annual Financial Statement  
Audit

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Norman MacQueen, Controller

**COUNTY OF CHESTER**  
**OFFICE OF THE SHERIFF**  
**ANNUAL FINANCIAL STATEMENT AUDIT**  
**AS OF DECEMBER 31, 2015 and 2014**

**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, 2015 and 2014**  
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# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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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  
West Chester, PA 19380

### **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, 2015 and 2014, 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, 2015 and 2014, 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 December 29, 2016 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

December 29, 2016

**COUNTY OF CHESTER**

**OFFICE OF THE SHERIFF**

**STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS**

**DECEMBER 31, 2015 and 2014**

|  | <u><b>2015</b></u>         | <u><b>2014</b></u>         |
|--|----------------------------|----------------------------|
| <b><u>Assets</u></b>                     |                            |                            |
| Cash - Operating                         | \$ 4,685,463               | \$ 5,847,034               |
| Cash - Surcharge                         | 34,373                     | 35,404                     |
| Cash - Imprest Fund                      | 5,000                      | 5,000                      |
| Cash - Petty Cash/Change Fund            | 350                        | 350                        |
|  | <hr/>                      | <hr/>                      |
| <b>Total Assets</b>                      | <u><u>\$ 4,725,186</u></u> | <u><u>\$ 5,887,788</u></u> |
| <br><b><u>Liabilities</u></b>            |                            |                            |
| Due to County - Fees                     | \$ 92,249                  | \$ 125,266                 |
| Due to Commonwealth of PA                | 50,258                     | 49,388                     |
| Due to County - Imprest Fund             | 5,000                      | 5,000                      |
| Due to County - Petty Cash/Change Fund   | 350                        | 350                        |
| Restricted Funds - Settlement and Escrow | 4,577,329                  | 5,707,784                  |
|  | <hr/>                      | <hr/>                      |
| <b>Total Liabilities</b>                 | <u><u>\$ 4,725,186</u></u> | <u><u>\$ 5,887,788</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, 2015 and 2014**

|  | <u>2015</u>                | <u>2014</u>                |
|--|----------------------------|----------------------------|
| <b><u>Receipts</u></b>                   |                            |                            |
| Fees                                     | \$ 1,186,164               | \$ 1,140,379               |
| Restricted Funds - Settlement and Escrow | <u>16,219,769</u>          | <u>16,502,581</u>          |
| <b>Total Receipts</b>                    | 17,405,933                 | 17,642,960                 |
| <b><u>Disbursements</u></b>              |                            |                            |
| County of Chester - Fees                 | 1,207,385                  | 1,115,441                  |
| Commonwealth of PA – Fees                | 10,865                     | 10,844                     |
| Restricted Funds - Settlement and Escrow | <u>17,349,254</u>          | <u>12,758,136</u>          |
| <b>Total Disbursements</b>               | <u>18,567,504</u>          | <u>13,884,421</u>          |
| <b>Cash Increase (Decrease)</b>          | (1,161,571)                | 3,758,539                  |
| Cash, Beginning of Year                  | <u>5,847,034</u>           | <u>2,088,495</u>           |
| <b>Cash, End of Year</b>                 | <u><u>\$ 4,685,463</u></u> | <u><u>\$ 5,847,034</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  
SURCHARGE ACCOUNT**

**FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014**

|                                 | <u>2015</u>      | <u>2014</u>      |
|---------------------------------|------------------|------------------|
| <b><u>Receipts</u></b>          |                  |                  |
| Fees                            | \$ 147,789       | \$ 169,353       |
| <b>Total Receipts</b>           | 147,789          | 169,353          |
| <b><u>Disbursements</u></b>     |                  |                  |
| Commonwealth of PA – Fees       | 148,820          | 162,160          |
| <b>Total Disbursements</b>      | 148,820          | 162,160          |
| <b>Cash Increase (Decrease)</b> | (1,031)          | 7,193            |
| Cash, Beginning of Year         | 35,404           | 28,211           |
| <b>Cash, End of Year</b>        | <u>\$ 34,373</u> | <u>\$ 35,404</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, 2015 and 2014**

***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, 2015.

**SUPPLEMENTAL INFORMATION**

**COUNTY OF CHESTER**

**OFFICE OF THE SHERIFF**

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

**FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014  
(Unaudited)**

|                                   | <u>2015</u>         | <u>2014</u>         |
|-----------------------------------|---------------------|---------------------|
| <b><u>Revenues</u></b>            |                     |                     |
| County Fines and Costs            | \$ 1,228,209        | \$ 1,040,676        |
| <b><u>Direct Expenditures</u></b> |                     |                     |
| Salaries and Wages                | \$ 3,849,461        | \$ 3,711,977        |
| Fringe Benefits                   | 1,446,720           | 1,552,930           |
| Vehicle Expense                   | 96,917              | 120,585             |
| Clothing/Uniform Supplies         | 65,888              | 74,613              |
| Supplies                          | 63,046              | 83,414              |
| Insurance                         | 33,500              | 32,500              |
| Professional Services             | 26,748              | 42,706              |
| Telephone/Pagers                  | 20,990              | 20,893              |
| Dues and Memberships              | 20,219              | 23,316              |
| Equipment                         | 19,676              | 15,827              |
| Training and Staff Development    | 14,085              | 18,407              |
| Postage                           | 11,770              | 10,833              |
| Employee Travel/Mileage           | 8,752               | 7,713               |
| Equipment Repairs and Maintenance | 7,975               | 10,751              |
| Other General Expenditures        | 7,582               | 10,354              |
| Advertising                       | -                   | 32                  |
| <b>Total Direct Expenditures</b>  | <b>\$ 5,693,329</b> | <b>\$ 5,736,851</b> |

**Note 1: The revenue figure per the County of \$1,228,209 differs from the amount disbursed to the County by the Sheriff of \$1,207,385. 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 fines and costs are collected by the Sheriff.**



# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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NORMAN MACQUEEN  
Controller

December 29, 2016

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

## **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, 2015, 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 December 29, 2016, regarding interest payment, cash disbursements, voided disbursements and weapons recordkeeping.

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, 2015**

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.