



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

**Audit Report
For the Years Ended
December 31, 2016 and 2015**

*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, 2016 and 2015

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, 2016 and 2015
TABLE OF CONTENTS

INTERNAL AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statements of Assets and Liabilities – Cash Basis	3
Statements of Receipts, Disbursements and Cash Balances – Cash Basis	4
Notes to Financial Statements.....	6
SUPPLEMENTAL INFORMATION	
Schedules of County of Chester Revenues and Direct Expenditures	7
INTERNAL AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS.....	8
SUMMARY OF EXIT CONFERENCE	10



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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, 2016 and 2015, 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, 2016 and 2015, 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 November 22, 2017 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

November 22, 2017

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash - Operating	\$ 4,390,554	\$ 4,685,463
Cash - Surcharge	30,431	34,373
Cash - Imprest Fund	5,000	5,000
Cash - Petty Cash/Change Fund	350	350
	<hr/>	<hr/>
Total Assets	\$ 4,426,335	\$ 4,725,186
	<hr/>	<hr/>
<u>Liabilities</u>		
Due to County - Fees	\$ 117,790	\$ 92,249
Due to Commonwealth of PA	41,673	50,258
Due to County - Imprest Fund	5,000	5,000
Due to County - Petty Cash/Change Fund	350	350
Funds Held in Escrow	4,261,522	4,577,329
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Total Liabilities	\$ 4,426,335	\$ 4,725,186
	<hr/>	<hr/>

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Receipts</u>		
Fees	\$ 1,303,995	\$ 1,186,164
Funds Held in Escrow	<u>23,329,731</u>	<u>16,219,769</u>
Total Receipts	24,633,726	17,405,933
<u>Disbursements</u>		
County of Chester - Fees	1,262,677	1,207,385
Commonwealth of PA – Fees	15,780	10,865
Funds Held in Escrow	<u>23,650,178</u>	<u>17,349,254</u>
Total Disbursements	<u>24,928,635</u>	<u>18,567,504</u>
Cash Increase (Decrease)	(294,909)	(1,161,571)
Cash, Beginning of Year	<u>4,685,463</u>	<u>5,847,034</u>
Cash, End of Year	<u><u>\$ 4,390,554</u></u>	<u><u>\$ 4,685,463</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Receipts</u>		
Fees	\$ 146,818	\$ 147,789
	<u>146,818</u>	<u>147,789</u>
Total Receipts	146,818	147,789
<u>Disbursements</u>		
Commonwealth of PA – Fees	<u>150,760</u>	<u>148,820</u>
	<u>150,760</u>	<u>148,820</u>
Total Disbursements	150,760	148,820
Cash Increase (Decrease)	(3,942)	(1,031)
Cash, Beginning of Year	<u>34,373</u>	<u>35,404</u>
Cash, End of Year	<u>\$ 30,431</u>	<u>\$ 34,373</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, 2016 and 2015

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) that would affect the financial statements for the year ended December 31, 2016.

SUPPLEMENTAL INFORMATION

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

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

**FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(Unaudited)**

	<u>2016</u>	<u>2015</u>
<u>Revenues</u>		
County Fines and Costs	\$ 1,393,418	\$ 1,228,209
<u>Direct Expenditures</u>		
Salaries and Wages	\$ 5,646,170	\$ 5,296,181
Vehicle Expense	99,740	96,917
Supplies	91,955	63,046
Clothing/Uniform Supplies	75,293	65,888
Professional Services	35,371	26,748
Insurance	34,500	33,500
Equipment	28,801	19,676
PC Hardware/Software	25,323	-
Telephone/Pagers	24,940	20,990
Other General Expenditures	17,062	7,582
Postage	12,936	11,770
Dues and Memberships	11,517	20,219
Training and Staff Development	10,428	14,085
Employee Travel/Mileage	4,994	8,752
Equipment Repairs and Maintenance	584	7,975
Total Direct Expenditures	\$ 6,119,614	\$ 5,693,329

Note 1: The revenue figure per the County of \$1,393,417 differs from the amount disbursed to the County by the Sheriff of \$1,262,677. 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.



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NORMAN MACQUEEN
Controller

November 22, 2017

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, 2016, 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 November 22, 2017, regarding the Imprest Fund and voided 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, 2016

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.