

CHESTER COUNTY SHERIFF  
K9 (CCSK9) FUND  
YEARS 2015, 2016 AND 2017

COUNTY OF CHESTER  
AUGUST 29, 2018  
PREPARED BY INTERNAL AUDIT

## Introduction

On August 13, 2018, the Controller's Office was provided six file folders from the Sheriff's Office containing records for the K9 Fund for the years ending December 31, 2015, 2016 and 2017. These records were provided for review to the Controller staff by Sheriff Bookkeeper, Lee DiMattia. Lee gave Controller staff access to photocopy the records on site at the Sheriff's Office, which commenced on August 13, 2018 and continued through August 15, 2018.

Beginning August 16, 2018, Internal Audit began reviewing the documentation provided. After several days of sorting the provided documents, the audit staff noted that a material amount of supporting documentation for the years mentioned above was not included in the six file folders provided by the Sheriff's Office.

After discussions with the Controller, Internal Audit continued examining the partial documentation that was originally provided for years 2015, 2016 and 2017. Based on that examination, the audit staff was able to document the following:

- Structure
- Internal Controls
- Bank accounts
- Activity Ledgers
- Income
- Expense
- Other Items of Note

## Structure

The K9 Fund accounts did not appear to have any formal or informal structure, although two of the signature cards for one bank account indicated that Chester County Sheriffs K9 (CCSK9) was opened as an unincorporated association or organization. Based on the records provided, the K9 Fund bank accounts are held at [REDACTED] under the name Chester County Sheriffs K9.

There was also no indication of official tax exempt status; however the documentation showed purchases were being made as "tax exempt." It should be noted that payments to any revenue or taxing authorities do not appear to have taken place.

Per the bank signature cards provided, the authorized signers for these accounts include the following Sheriff Office employees:

2015, 2016:

- Lt. Harry McKinney
- Lee DiMattia

2017:

- Lt. Harry McKinney
- Lee DiMattia (1/1/17-6/8/17),
- Dep. Brad Desando (6/8/17-year end)
- Janis Pickell (6/8/17-year end)

**It should be noted that all four signers mentioned above are employees of the Chester County Sheriff's Office.**

Based on documentation provided, only two individuals signed physical checks for the period mentioned above, Lt. Harry McKinney and Lee DiMattia. It was noted that once Lee DiMattia was removed from the account in 2017, Lt. Harry McKinney was the sole check signer.

Internal Audit did not notate the Sheriff as an authorized signer on the bank account signature cards. **However, the Sheriff did make purchases in what appears to be an authorized capacity using her personal credit cards which were then paid for out of the K9 Fund.** This subject is discussed in greater detail in the expense sections of this report.

#### Internal Controls

Based upon the documentation provided and conversations with the Sheriff's Office, **there is no formal set of documented controls, processes or procedures for the K9 Fund.** Internal Audit did request but did not receive any documentation that would outline or describe how the Fund is structured, the procedural processes they follow and any internal control practices they utilize.

Per the documentation, Lee DiMattia was the member assigned to handle the day to day administrative tasks of the Fund. This included but is not limited to making bank deposits, recording activity in the activity ledger, and issuing checks. When Lee was removed from the account in June of 2017, it appears that Lt. Harry McKinney took over all of those responsibilities just mentioned.

Internal Audit did not record any documentation or responsibilities assigned to Brad Desando or Janis Pickell. This does not mean they did not assist with the K9 Fund, but only that the documentation provided does not reflect it.

#### Bank Accounts

Based on the documentation provided, Internal Audit was able to document five bank accounts that related directly to K9 Fund activity. Those five bank accounts are:

Bank	Type	Description	Account #
	Small Business Banking - Checking	K9	
	Business Statement Savings	K9	
	DDA Account	Paypal	
	DDA Account	Golf	
	DDA Account	Unknown	

It should be noted that **Internal Audit was only provided bank statements by the Sheriff's Office for two of those bank accounts**, x4967 and x2695. Internal bank transfers for accounts x6564 and x6114 were noted on the bank statements of the K9 accounts but these statements were not included in the records provided by the Sheriff's Office.

**It should also be noted that the fifth bank account at [REDACTED], ending with account number x0594 was identified on deposit tickets included with the 2015 K9 documentation. Internal Audit was unable to verify the owner of this account or its relation to the K9 Fund.**

#### Activity Ledgers

Included in the documentation provided by the Sheriff's Office was a printed excel file for each of the years 2015, 2016 and 2017. We believe each file was created and maintained by Lee DiMattia. Internal Audit re-created these files in order to verify their mathematical accuracy. Based on these files and, in conjunction with the bank statements provided, Internal Audit was able to document the income, expenses and payment methods of accounts x4967 and x2695.

It should be noted that the beginning bank balances for accounts x4967 and x2695 totaled \$4,412.63 on 1/1/2015. The income of \$198,268.53 and expenses of \$201,800.00 detailed in the following sections equal a net expenditure of (\$3,531.47). This additional net expenditure reduced the beginning bank surplus down to an ending bank balance on 12/31/2017 of \$881.16.

#### Income

Deposits into the K9 Fund accounts x4967 and x2695 largely came from donations in the form of check and cash. Included in the documentation provided by the Sheriff's Office were partial records for deposits, including deposit tickets from the bank, copies of donation checks, and copies of cash deposits. Total deposits verified on the bank statements were noted as follows:

Year	x4967	x2695	Total
<b>2015</b>	\$ 53,028.15	\$ 11,762.16	\$ 64,790.31
<b>2016</b>	\$ 59,937.58	\$ 1,500.65	\$ 61,438.23
<b>2017</b>	\$ 56,082.66	\$ 15,957.33	\$ 72,039.99
<b>Totals</b>	\$ 169,048.39	\$ 29,220.14	\$198,268.53

Internal Audit was able to trace deposit support provided to the bank statements for the majority of the years under audit; however we were not able to locate supporting documentation for much of the last six months of 2017 after Lee DiMattia was removed from the account. June through December 2017 documentation included only copies of the deposit ticket itself, with no supporting documentation to go along with each deposit ticket.

Expense

Expenses were paid out of the K9 Fund via two methods, check and credit card as noted below:

Year	Check	Credit Card	Total		Yearly %	Yearly %	Total
2015	\$ 31,987.84	\$ 35,509.46	\$ 67,497.30		47.39%	52.61%	100.00%
2016	\$ 39,499.73	\$ 23,165.82	\$ 62,665.55		63.03%	36.97%	100.00%
2017	\$ 36,792.71	\$ 34,844.44	\$ 71,637.15		51.36%	48.64%	100.00%
<b>Totals</b>	<b>\$ 108,280.28</b>	<b>\$ 93,519.72</b>	<b>\$201,800.00</b>		<b>53.66%</b>	<b>46.34%</b>	<b>100.00%</b>

**Check Note:** The check total figure of \$108,280.28 was spent using check stock from account x4967 via checks 1103 (written in 2014) & 1107-1245 (140 checks written 2015-2017).

**Credit Cards:** The credit card total of \$93,519.72 was spent using the following credit cards:

Bank	Type	Description	Account #	User	2015	2016	2017
[REDACTED]	Mastercard	American Airlines	[REDACTED]	Welsh	X	N/A	N/A
	Unknown	Unknown		Unknown	X	N/A	N/A
	Mastercard	Walmart		Welsh	X	N/A	N/A
	Mastercard	American Airlines		McKinney	X	X	N/A
	Discover	Discover		Welsh	X	N/A	X
	Mastercard	American Airlines		Welsh	X	X	X
	American Express	Hilton Honors		McKinney	X	X	X
	Unknown	HG Rewards		McKinney	N/A	X	X
	Mastercard	American Airlines		McKinney	N/A	X	X
	Mastercard	BJ's		McKinney	N/A	N/A	X
		Same Credit Card, new account number Q4 2015 -- x9552 --> x5423					
		Same Credit Card, new account number Q1 2016 -- x9560 --> x9146					
		Potentially Related					

It should be noted that **the credit cards listed above appear to be personal credit cards in the name of the user and mailing address of [REDACTED], which is Sheriff Welsh's home address.** These credit card payments were paid directly from K9 account x4967 to the credit card company.

As mentioned before, there appears to be no internal control or procedural system for the expense process as a whole. In regards to the physical check process, Internal Audit did locate a check request form that was used on occasion by the K9 Fund, however in many instances it was incomplete with no requester being listed. On the request forms that we did locate, Lt. Harry McKinney was the approving signer on those forms. **It appears that for all of 2015, 2016 and partial 2017 that there was a two person process for check expenditures: Lt. Harry McKinney would request and approve the check while Lee DiMattia would then prepare and sign the actual check creating a small degree of “checks and balances.”**

In regards to the credit card process, the documentation shows that Harry McKinney was the main spending user in addition to the Sheriff. There also does not appear to be an authorization process to spend K9 Funds via credit card as there was with the physical check process. Internal Audit did not find any memos or documentation requesting approval for paid expenses before or after they were made. **Based on the structure noted, it appears that Lt. Harry McKinney was both the approver and the spender for the credit cards, giving him unchecked control and discretion of how and when Funds were spent.**

When the bill for the credit cards became due, a bank transfer was sent directly from the K9 Fund bank account to the credit card company.

**It should be noted that Internal Audit was only provided partial credit card statements.** Out of the \$93,519.72 put on personal credit cards for the three year period, audit staff was only able to document line item statement detail for \$52,836.40, **leaving \$40,683.32<sup>1</sup> worth of purchases unknown/undocumented.** **It should also be noted that the line item detail was simply a credit card statement with the vendor, date and amount, not an actual receipt.**

Based on the bank statement payments to credit card companies and the limited credit card statements provided, Internal Audit was able to allocate the total credit card purchases of \$93,519.72 to each user:

-Graphic on following page-

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<sup>1</sup> Approximately \$4,000 of these charges were made by Sheriff Carolyn Welsh and the balance by Lt. Harry McKinney.

Bank	Description	Account #	User	2015	2016	2017	
	American Airlines		McKinney *	\$26,360.65	\$20,439.25	N/A	
	Hilton Honors		McKinney	\$ 5,317.77	\$ 2,677.57	\$13,829.99	
	HG Rewards		McKinney	N/A	\$ 49.00	\$ 49.00	
	American Airlines		McKinney *	N/A	\$ -	\$ 1,008.95	
	BJ's		McKinney	N/A	N/A	\$14,464.61	
	Unknown		Unknown	\$ 1,896.97	N/A	N/A	
			Totals	<b>\$33,575.39</b>	<b>\$23,165.82</b>	<b>\$29,352.55</b>	<b>\$ 86,093.76</b>
Bank	Description	Account #	User	2015	2016	2017	
	American Airlines		Welsh *	\$ -	N/A	N/A	
	Walmart		Welsh	\$ 375.00	N/A	N/A	
	Discover		Welsh	\$ 1,559.07	N/A	\$ 3,814.97	
	American Airlines		Welsh *	\$ -	\$ -	\$ 1,676.92	
			Totals	<b>\$ 1,934.07</b>	<b>\$ -</b>	<b>\$ 5,491.89</b>	<b>\$ 7,425.96</b>

\* - These credit cards are billed on the same statement, using separate account numbers. However, the statement payment always posts from account x9552/x5423 by Welsh regardless of which card made the purchase. There were purchases on these accounts by both users. However, all purchases from these accounts during 2015 and 2016 are allocated to McKinney due to the support that he made the majority of the purchases.

Of the \$52,833.40 that Internal Audit was able to document via line item statements, the following categories were created to group expenses:

Percentage	Dollar Amount	Category
10.01%	\$ 5,290.74	Non-Event Meals
30.09%	\$ 15,899.70	Direct K9 Expenditures
42.88%	\$ 22,654.27	Stores/Retail
14.10%	\$ 7,448.08	Travel/Auto
2.92%	\$ 1,540.61	Memberships/Organiz.
100.00%	\$ 52,833.40	Totals

Due to the fact that only a vendor, date and amount was listed on the credit card support for these purchases, **the appropriateness of many expenditures remains in question and in need of further explanation.**

**Also, it appears that the Direct K9 Expenditures were mainly for K9 dogs under control of Lt. Harry McKinney and not the rest of the K9 unit.**

## Other Items of Note

Throughout the review of the provided documentation, audit staff noted items that are a cause for concern or that need additional explanation. Those items are listed as follows:

1. According to the Pennsylvania Department of State guidelines, any organization soliciting contributions from Pennsylvania residents that receives more than \$25,000 in gross annual revenue is required to file a BCO-10 registration form and the appropriate annual documents. **The K9 Fund has not been compliant with these requirements based on the documentation provided.** Federal guidelines are more strict than those of Pennsylvania Department of State. However, the K9 Fund was also not in compliance with the federal guidelines.
2. As mentioned above, the K9 Fund was not a registered charitable organization **and did not hold tax exempt status, however they did declare with certain vendors that they were tax exempt** and therefore did not pay sales tax on certain purchases.
3. Based upon the limited documentation provided, **Internal Audit has concern that actual deposit amounts for some events held do not match the expected revenues for those events.** It is recommended that event revenue sources and documentation of cash controls at these events be explained further in order to trace income from the events to the bank statements.
4. Based on the documentation provided, there were many instances where **donation checks were made payable using the official Chester County Sheriff's Office name and office address at the Justice Center.**
5. Per the Department of Emergency Services (DES), **Funds to purchase the K9 dogs came from DES obtained grants in coordination with the Tri-county initiative. The County of Chester pays for the insurance for the K9 dogs.** Internal Audit would like further information and clarification of the asset recording of each K9 dog.
6. Per the Sheriff, the County of Chester has received more than \$165,000 in income through mutual-aid agreements with other local agencies since the K9 unit's inception. **Internal Audit was unable to verify this number with the County Finance Department who could only attribute roughly \$34,000 in income during the same period.** This number needs further explanation and documentation.
7. Based on the records provided, Internal Audit was able to see deposit records in 2015 and 2016 which totaled thousands of dollars' worth of cash donations (event related) being made into the [REDACTED] bank account ending in x4967. **However, in 2017 audit**

**staff did not see any documentation for cash deposits into this account.** Internal Audit has no documentation or information that indicates that cash donations stopped being accepted in 2017. This occurrence should be further explained and documented.

8. It was documented that PECO, a vendor utilized by the County of Chester sponsored the Sheriff's annual Golf event. It was noted their original donation check in the amount of \$1,000.00 and corresponding letter was made out to the County of Chester and in effect meant to be in support of "the County of Chester, Office of the Commissioners, Department of Facilities and Parks." **This language demonstrates that PECO was under the impression they were giving the money directly to the benefit of the County of Chester.**
9. Included on a credit card statement was an expense for \$4,718.41 on 6/26/2015 to Hilton Baltimore. **It appears this expense is for the hotel stay while at the National Sheriff's Association Conference. This appears to be a personal expense, and not K9 related.** Internal Audit did not see record of reimbursement to the K9 Fund for this expense.
10. Based on the documentation provided, there was \$1,690.00 spent on dog grooming. **This total was spent solely on K9 dogs in custody of Lt. Harry McKinney and no other dog appears to have received the benefit of grooming from the K9 Fund. It should also be noted that this included grooming expenses for a dog named Roxy, which Internal Audit was unable to locate as a dog in the K9 unit.**
11. The Sheriff's Office holds an annual event titled "Shop with the Sheriff." The validity of this event is without question and something that is not being disputed. However, **this event is not K9 related but the donation from Walmart and related grants expensed flow through the K9 Fund bank account.** This should be corrected.
12. Meals – Even though Internal Audit was missing over 40% of the credit card statement detail, it was noted that in 75 instances, **K9 money was spent on meals not related to a K9 event. These instances totaled \$5,290.74 and appear to be lunch and dinner for personal convenience.** Internal Audit believes this number could be higher if the missing credit card statements were obtained. Internal Audit did not see record of reimbursement to the K9 Fund for these expenses.
13. Based on the documentation provided, there appears to be an in & out of Pepsi product revenue and expense flowing through the K9 bank account on a monthly basis. The dollar amounts of this activity equal thousands of dollars on an annual basis. **This appears unrelated to K9 activities and should not be channeled through this account.** Based on a tip received by the Controller's Office, this flow of money **may be related to the**

**for profit sale of food and beverage products by Lt. Harry McKinney within the Justice Center. There is a concern that employees of the County are purchasing items assuming their money is a donation to the K9 Fund but Internal Audit was unable to trace deposits greater than the cost of goods being sold.** This continual expense and reimbursement needs further explanation and documentation.

14. Check 1244 on 11/27/2017 made payable to Thomas Auto for **\$4,200 was for a custom golf cart.** Internal Audit is aware of the Sheriff's Golf Fundraiser which is held annually but is **unaware of what usage this golf cart may relate to K9 services.** This expense should be further explained and documented.
15. Included in the documentation provided was an expense for \$2,500 on 8/5/2015 to TNJ Murray. It appears **this expense is for tires, hydraulic rear winch, and an electric front winch for a pickup truck. Based on the documentation provided, Internal Audit is unable to ascertain which vehicle this equipment was installed on.** It is also unclear how this equipment relates to K9 related activities. It should be noted that if this equipment was installed on a County owned vehicle, this expense should have been approved by the County.
16. Check 1199 on 9/30/2016 made payable to Christopher's Cure **was an \$800.00 donation made from the K9 Fund to another charitable organization.** The validity of this charity to which the donation went is not being disputed. However, this is a personal donation and not K9 related. Internal Audit did not see record of reimbursement to the K9 Fund for these expenses.
17. Included on a credit card statement was an expense for **\$579.60 on 9/26/2017 to Quality Hotel in Exton, PA.** The documentation describes **this expense as a one night stay** but does not indicate if this is event related or its relation to business or personal use. This expense should be further explained and documented.
18. Included on a credit card statement was an expense for **\$1,058.30 on 12/13/2017 to Woody's Crab House in North East, MD.** Per the Sheriff, this is a Christmas dinner they had for the K9 deputies. While the deputies deserve recognition and celebration for their hard work, **this expense should be paid for via personal Funds by the host of the event, as it does not benefit the K9 dogs.** Internal Audit did not see record of reimbursement to the K9 Fund for these expenses.
19. Check 1132 on 8/13/2015 made payable to Sarro Signs for \$695.00 **appears to be an expense for signage and props not K9 related.** Internal Audit did not see record of reimbursement to the K9 Fund for this expense.

20. Included on a credit card statement were expenses for lodging, fuel, food totaling \$916.20 for the period of 9/11/2017-9/14/2017. These expenses appear to be for Lt. Harry McKinney to drive disaster relief items donated to Texas, in coordination with the Good Will Fire Company. The validity of this event and charity are not being disputed, however, **this is a personal donation which was volunteer based, not K9 related.** Internal Audit did not see record of reimbursement to the K9 Fund for these expenses.
21. Per the documentation provided, the *K9 unit leases night vision goggles from the Department of the Navy for an annual fee of \$3,600.* Internal Audit could not verify if these goggles were for K9 handlers specifically. This appears to be an expense that should come from the Sheriff's county budget and be approved by the County Commissioners. This expense should be further explained and documented.
22. It was noted that event prizes include firearms purchased from the K9 Fund in advance of the Sheriff event(s). **Documentation showed that in some cases, winners decided to take a cash prize instead of receiving the intended firearm. Internal Audit was unable to document what happened to the purchased firearm if a cash prize was given in its place.** This process should be further explained and documented.
23. There appears to be additional personal purchases made **from this account to vendors including but not limited to the NRA, flower shops, etc.** These expenses should be further explained and documented. Internal Audit did not see record of reimbursement to the K9 Fund for these expenses.

### Conclusion

It is Internal Audit's opinion that the Chester County Sheriff K9 Fund's records, support, and documentation are not sufficient to provide a basis for an official audit opinion. As such, the review that was conducted of these records, in conjunction with the information detailed in this report are intended to most accurately portray how the Fund appears to be operating and how monies are coming into and out of the Fund.

It is our belief that further audit work is necessary to reach an official audit opinion, including but not limited to obtaining additional bank records, credit card statements and interviewing K9 Fund authorized signers. In order to accomplish this in the most efficient and effective matter, it is our recommendation that the K9 Fund audit be referred to the appropriate Commonwealth agencies for further analysis.