



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

**Audit Report
For the Years Ended
December 31, 2017 and 2016**

County of Chester

*Office of the Register of Wills/
Clerk of the Orphans' Court*

Annual Financial Statement
Audit

Margaret Reif, Controller

COUNTY OF CHESTER
OFFICE OF THE REGISTER OF WILLS/CLERK OF THE ORPHANS' COURT
ANNUAL FINANCIAL STATEMENT AUDIT
AS OF DECEMBER 31, 2017 and 2016

Terri Clark, Register of Wills/ Clerk of the Orphans' Court
Office of the Register of Wills/Clerk of the Orphans' Court
Chester County Justice Center
201 W. Market Street, Suite 2200
West Chester, PA 19380

COUNTY OF CHESTER
OFFICE OF THE REGISTER OF WILLS/CLERK OF THE ORPHANS' COURT
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

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MARGARET REIF
CONTROLLER

Independent Auditor's Report

Terri Clark, Register of Wills/Clerk of the Orphans' Court
Chester County Justice Center
201 W. Market Street, Suite 2200
West Chester, PA 19380

Report on the Financial Statements

We have audited the accompanying financial statements of the Register of Wills/Clerk of the Orphans' Court (*Register*), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2017 and 2016, 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 *Register*.

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 accounting 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 *Register* as of December 31, 2017 and 2016, 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 May 10, 2018, on our evaluation of the *Register'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.



Margaret Reif
Controller

May 10, 2018

COUNTY OF CHESTER

OFFICE OF THE REGISTER OF WILLS/CLERK OF THE ORPHANS' COURT

STATEMENTS OF ASSETS AND LIABILITIES – CASH BASIS

DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash - Operating	\$ 113,141	\$ 179,234
Cash - Automation Fund	72,378	61,652
Cash - Counseling Fees	32,589	32,118
Cash - Court Ordered Escrow	9,076	9,076
Cash - Attorney for Minor	3,000	1,800
Petty Cash/Change Fund	<u>100</u>	<u>100</u>
Total Assets	<u><u>\$ 230,284</u></u>	<u><u>\$ 283,980</u></u>
 <u>Liabilities</u>		
County of Chester	\$ 101,123	\$ 168,199
Commonwealth of PA	10,318	9,388
Restricted Funds - Automation Fund	74,207	63,332
Restricted Funds - Adoption Counseling Fees	32,460	32,085
Restricted Funds - Court Ordered Escrow	9,076	9,076
Restricted Funds - Adoption Attorney Fees	3,000	1,800
Petty Cash/Change Fund	<u>100</u>	<u>100</u>
Total Liabilities	<u><u>\$ 230,284</u></u>	<u><u>\$ 283,980</u></u>

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

COUNTY OF CHESTER

OFFICE OF THE REGISTER OF WILLS/CLERK OF THE ORPHANS' COURT

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

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
Fees	\$ 1,600,793	\$ 1,485,571
Total Receipts	1,600,793	1,485,571
<u>Disbursements</u>		
County of Chester	1,516,446	1,271,327
Commonwealth of PA	129,640	123,298
Automation Fund	20,800	19,920
Total Disbursements	1,666,886	1,414,545
Cash Increase (Decrease)	(66,093)	71,026
Cash, Beginning of Year	179,234	108,208
Cash, End of Year	<u>\$ 113,141</u>	<u>\$ 179,234</u>

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

COUNTY OF CHESTER

OFFICE OF THE REGISTER OF WILLS/CLERK OF THE ORPHANS' COURT

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
COURT ORDERED ESCROW ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
Court Ordered Escrow	\$ 77,500	\$ -
Total Receipts	77,500	-
<u>Disbursements</u>		
Court Ordered Escrow	77,500	263,212
Total Disbursements	77,500	263,212
Cash Increase (Decrease)	-	(263,212)
Cash, Beginning of Year	9,076	272,288
Cash, End of Year	<u>\$ 9,076</u>	<u>\$ 9,076</u>

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

COUNTY OF CHESTER

OFFICE OF THE REGISTER OF WILLS/CLERK OF THE ORPHANS' COURT

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
AUTOMATION FEE ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
Automation Fee Deposits	\$ 20,800	\$ 19,920
Interest	<u>258</u>	<u>59</u>
Total Receipts	21,058	19,979
<u>Disbursements</u>		
Automation Expenses	<u>10,332</u>	<u>14,523</u>
Total Disbursements	<u>10,332</u>	<u>14,523</u>
Cash Increase (Decrease)	10,726	5,456
Cash, Beginning of Year	<u>61,652</u>	<u>56,196</u>
Cash, End of Year	<u><u>\$ 72,378</u></u>	<u><u>\$ 61,652</u></u>

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

COUNTY OF CHESTER

OFFICE OF THE REGISTER OF WILLS/CLERK OF THE ORPHANS' COURT

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
COUNSELING FEES ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
Attorney Fees	\$ 375	\$ 1,425
Interest	129	33
	<hr/>	<hr/>
Total Receipts	504	1,458
<u>Disbursements</u>		
Attorney Fees	-	855
Interest	33	31
	<hr/>	<hr/>
Total Disbursements	33	886
Cash Increase (Decrease)	471	572
Cash, Beginning of Year	32,118	31,546
	<hr/>	<hr/>
Cash, End of Year	<u>\$ 32,589</u>	<u>\$ 32,118</u>

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

COUNTY OF CHESTER

OFFICE OF THE REGISTER OF WILLS/CLERK OF THE ORPHANS' COURT

STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES – CASH BASIS
ATTORNEY FOR MINOR ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
Attorney Fees	\$ 3,000	\$ 1,800
Total Receipts	3,000	1,800
<u>Disbursements</u>		
Attorney Fees	1,800	1,950
Total Disbursements	1,800	1,950
Cash Increase (Decrease)	1,200	(150)
Cash, Beginning of Year	1,800	1,950
Cash, End of Year	<u>\$ 3,000</u>	<u>\$ 1,800</u>

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

COUNTY OF CHESTER

OFFICE OF THE REGISTER OF WILLS/CLERK OF THE ORPHANS' COURT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 1 - Summary of Significant Accounting Principles

Background and Reporting Entity

The *Register* acts as a conduit for the Commonwealth of Pennsylvania, the County of Chester, related political subdivisions, and the citizens it serves. Consequently, the *Register'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 *Register*.

The actual operating expenses of the *Register* are paid by the County of Chester. These costs include the salaries and wages of *Register* employees, fringe benefits, office rent, 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 *Register* 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

After consultation with legal counsel, the Register of Wills/Clerk of the Orphans' Court (Terri Clark) is not aware of any matters that would have a material adverse effect on the *Register's* financial position or result of operations.

COUNTY OF CHESTER

OFFICE OF THE REGISTER OF WILLS/CLERK OF THE ORPHANS' COURT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Note 3 – Automation Fee Fund

The *Register* established a new fund on May 1, 2012 pursuant to the Court of Common Pleas, Pennsylvania Orphans' Court Division Fee Bill: 42 P.S. 21022.1 and 210321.1. To bring the Register of Wills/Clerk of the Orphans' Court into line with the automation/modernization efforts of the other court-related offices, a \$10.00 automation fee is charged on all initial filings. The fees collected under this automation fund are used by the Register of Wills/Clerk of the Orphans' Court solely for the purpose of automation, computerization and document reproduction within the offices of same.

Note 4 – Escrow Account

The *Register* functions as an escrow agent for litigants pursuant to a court order or the rules of the Court of Common Pleas, Pennsylvania Orphans' Court Division. If there is a dispute among parties of a case on how to distribute funds for a particular estate, the Court of Common Pleas can instruct the *Register* via court order to establish an escrow account in the estate's name. Any withdraws or deposits must be approved under order of the Court. Once a case has been settled, the Court of Common Pleas instructs the *Register* via court order whether the County is to retain the escrow funds or if the funds are to be paid out to a party of the case. If money is to be paid out, a poundage fee is charged on the principal amount and is payable to the County.

SUPPLEMENTAL INFORMATION

COUNTY OF CHESTER

OFFICE OF THE REGISTER OF WILLS/CLERK OF THE ORPHANS' COURT

SCHEDULE OF COUNTY OF CHESTER
REVENUES AND DIRECT EXPENDITURES

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016
(Unaudited)

	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
County Fines and Costs	\$ 1,709,753	\$ 1,640,657
Interest	<u>129</u>	<u>33</u>
Total Revenues	<u><u>\$ 1,709,882</u></u>	<u><u>\$ 1,640,690</u></u>
<u>Direct Expenditures</u>		
Salaries, Wages and Fringe Benefits	\$ 757,576	\$ 727,645
Computer Charges	10,913	10,243
Legal Services	10,000	10,000
Office Supplies	8,395	5,306
Postage	7,638	7,036
Other General Expenses	3,411	1,759
Telephone	1,553	1,729
Equipment Repairs and Maintenance	1,496	2,963
Training and Staff Development	948	1,429
Reproduction Services	911	2,852
Books and Periodicals	821	665
Dues and Memberships	600	600
Graphics	190	24,666
Employee Travel and Mileage	<u>117</u>	<u>713</u>
Total Direct Expenditures	<u><u>\$ 804,569</u></u>	<u><u>\$ 797,606</u></u>

Note 1: The revenue figure per the County of \$1,709,882 differs from the amount disbursed to the County by the Register of \$1,516,446. This results from the use of the cash basis of accounting by the Register and the modified accrual basis of accounting by the County. The Register 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 Register.



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MARGARET REIF
CONTROLLER

May 10, 2018

Terri Clark, Register of Wills/Clerk of the Orphans' Court
Chester County Justice Center
201 W. Market Street, Suite 2200
West Chester, PA 19380

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

In planning our audit of the financial statements of Register of Wills/Clerk of the Orphans' Court (*Register*) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the *Register'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 *Register's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Register'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 *Register's* financial statements will not be prevented, or detected and corrected on a timely basis.

As part of obtaining reasonable assurance about whether the *Register'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*.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters**

Our audit disclosed no material weaknesses that, in our opinion, pose a significant risk to the *Register* or the County of Chester.

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 *Register*. This report is, however, a matter of public record, and its distribution is not limited.

Margaret Reif

Margaret Reif
Controller

COUNTY OF CHESTER

OFFICE OF THE REGISTER OF WILLS/CLERK OF THE ORPHANS' COURT

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2017

An exit conference was not warranted for the audit of the Register of Wills / Clerk of the Orphans' Court. Register of Wills / Clerk of the Orphans' Court Terri Clark has accepted the report as presented.