

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



*Audit Report
Office of the Sheriff*

For the year ended December 31, 2009

Valentino F. DiGiorgio, III, Controller

COUNTY OF CHESTER
AUDIT OF THE CHESTER COUNTY OFFICE OF THE SHERIFF
FOR THE YEAR ENDED DECEMBER 31, 2009

Carolyn B. Welsh, Sheriff
201 W. Market Street
1st Floor, Suite 1201
West Chester, PA 19380

COUNTY OF CHESTER
AUDIT OF THE CHESTER COUNTY OFFICE OF THE SHERIFF

TABLE OF CONTENTS

AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Assets and Liabilities	2
Statements of Receipts, Disbursements, and Cash Balance	3
Notes to Financial Statements.....	5
 AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL REPORTING	 6
 SUMMARY OF EXIT CONFERENCE.....	 8



COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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VALENTINO F. DIGIORGIO, III
Controller

April 30, 2010

Sheriff of Chester County
Chester County Justice Center
West Chester, Pennsylvania

Internal Audit has audited the accounts of the *Office of the Sheriff (Sheriff)* as of December 31, 2009, and has compiled the attached Statement of Assets and Liabilities and the related Statements of Cash Receipts, Disbursements, and Cash Balances for the year then ended. It is Internal Audit's responsibility to audit annually the accounts of any office receiving money for use by the Commonwealth of Pennsylvania and to report the results of such audits to the Chester County Commissioners and the Chester County Court of Common Pleas. It is management's responsibility to maintain, update, and reconcile these accounts on a continuous basis.

Our audit was conducted in accordance with generally accepted auditing standards and the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit in a manner that will provide *reasonable assurance* that the accounts are free of material misstatement and that amounts are properly supported and approved.

As described in Note 1, the accompanying financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the statements referred to above are not intended to present the financial position and results of operations of the *Sheriff* in conformity with generally accepted accounting principles

In our opinion, the accounts of the *Sheriff* are stated fairly as of December 31, 2009. Consequently, the corresponding financial statements prepared by Internal Audit present fairly, in all material respects, the assets and liabilities of the *Sheriff* as of December 31, 2009, and the cash receipts, disbursements, and cash balances for the year then ended.

In accordance with Government Auditing Standards, Internal Audit has also issued a report dated April 30, 2010, on our consideration 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.

Valentino F. DiGiorgio, III
Controller

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 2009

Assets

Cash - Regular Account	\$ 3,709,297
Cash - Surcharge Account	47,335
Cash - Change Fund, Petty Cash, Imprest Fund	5,350
Accounts Receivable	<u>14,401</u>
Total Assets	<u>\$ 3,776,383</u>

Liabilities

Undisbursed Funds:	
County - Fees	\$ 173,353
Settlement	3,529,086
PA Firearms Act Fee	6,858
PA Surcharge	47,335
Due to County – Change Fund, Petty Cash, Imprest Fund	5,350
Due to Sheriff	<u>14,401</u>
Total Liabilities	<u>\$ 3,776,383</u>

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

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE--
REGULAR ACCOUNT**

FOR THE YEAR ENDED DECEMBER 31, 2009

Cash Balance, January 1, 2009		\$ 2,899,392
Receipts:		
County – Fees	\$ 1,373,219	
PA Firearms Act Fee	47,952	
Settlement	<u>14,536,214</u>	
Total Receipts		\$ 15,957,385
Disbursements:		
County – Fee	\$ 1,265,499	
PA Firearms Act Fee	51,858	
Settlement	<u>13,830,123</u>	
Total Disbursements		\$ <u>15,147,480</u>
Excess of receipts over disbursements		<u>809,905</u>
Cash Balance, December 31, 2009		<u>\$ 3,709,297</u>

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

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCE--
SURCHARGE ACCOUNT**

FOR THE YEAR ENDED DECEMBER 31, 2009

Cash Balance, January 1, 2009			\$ 38,155
Receipts:			
Fees Collected	\$ 183,725		
Interest	<u>35</u>		
Total Receipts		\$ 183,760	
Disbursements:			
State Surcharge	<u>\$ 174,580</u>		
Total Disbursements		<u>\$ 174,580</u>	
Excess of receipts over disbursements			<u>9,180</u>
Cash Balance, December 31, 2009			<u>\$ 47,335</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 YEAR ENDED DECEMBER 31, 2009

Note 1 - Summary of Significant Accounting Policies

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 salary and wages of office employees, fringe benefits, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statements 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 balances in accordance with generally accepted accounting principles.

Note 2 – Legal Matters

Our audit disclosed no new pending litigations involving the *Sheriff* and its Sheriff (Carolyn B. Welsh) for the year ended December 31, 2009.

Note 3 – Uniform Firearms Act

On May 9, 2006 provisions of Act 66, The Uniform Firearms Act went into effect. Section 6109(h) of the Act provide for the collection of an additional fee of \$5.00 to be remitted to the Firearms License to Carry Modernization Account and an additional fee of \$1.00 to be collected from each license applicant to be remitted to the Firearms License Validation System Account. Both accounts are special restricted receipt accounts within the General Fund of the State Treasury. The Pennsylvania Commission Crime and Delinquency and the Pennsylvania State Police are required to implement standards to make the license process more uniform within five (5) years. The moneys and income generated by the fees are to be awarded as grants to sheriffs to implement the system including grants to reimburse sheriffs for expenses incurred prior to the five (5) year period.



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Controller

April 30, 2010

Sheriff of Chester County
Chester County Justice Center
West Chester, Pennsylvania

Report on Compliance and on Internal Controls Over Financial Reporting

In accordance with Government Auditing Standards, the scope of our audit included an examination and evaluation of the adequacy and effectiveness of the *Sheriff's* system of internal control and the *Sheriff's* quality of performance in carrying out assigned responsibilities. The primary objectives of internal controls include the following:

- Safeguarding of assets.
- Reliability and integrity of information
- Compliance with policies, procedures, laws, and regulations
- Compliance with provisions of contracts and lease agreements

In addition, generally accepted auditing standards (GAAS) require that auditors obtain an understanding of the internal control process and assess control risk in financial statement audits. For a financial statement audit, internal control is defined as a process which is designed to provide reasonable assurance that objectives regarding the reliability of financial reporting, the effectiveness and efficiency of operations, and the compliance with applicable laws and regulations are achieved. The internal control process consists of five components. They are the *control environment*, *risk assessment*, *information and communication*, *monitoring*, and *control activities*.

The *control environment* sets the tone of the organization and is the foundation for all other components of internal control. The collective effect of various important factors defines the *control environment*, which in turn establishes, enhances, or mitigates the effectiveness of policies and procedures. These important factors include the entity's organizational structure and methods of assigning authority and responsibility.

The *risk assessment* is the entity's identification and analysis of relevant risks to the achievement of its objectives, and forms a basis for determining how the risks should be managed.

Information and communication are the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.

Monitoring is a process that assesses the quality of internal control performance over time.

Report on Compliance and on Internal Controls Over Financial Reporting

Control activities are the policies and procedures that help ensure management directives are carried out. These policies and procedures may be classified as:

- Authorization
- Segregation of duties
- Documentation
- Physical safeguards
- Independent checks and balances.

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

Findings of a lesser significance involving the areas of compliance and the internal control structure, specifically:

- Recording / Recordkeeping with respect to cash receipts, manual receipts, imprest fund disbursements, and weapons inventory
- Reconciliation with respect to imprest fund and accounts receivable balances
- Authorization with respect to imprest fund disbursements
- Compliance with policies / procedures with respect to cash disbursements, voided transactions, credit card purchases and escheats

have been addressed under separate cover with the management of the *Sheriff* for its action and/or response. Copies of the Management Letter will be made available upon request.

This report is intended for the information of the Chester County Commissioners and the Chester County Court of Common Pleas. This report is, however, a matter of public record, and its distribution is not limited.



Valentino F. DiGiorgio, III
Controller

COUNTY OF CHESTER

OFFICE OF THE SHERIFF

SUMMARY OF EXIT CONFERENCE

FOR THE YEAR ENDED DECEMBER 31, 2009

Sheriff Carolyn Welsh indicated through a written confirmation that an exit conference would be waived this year. The Sheriff has accepted the Report and Management Letter as they are now presented.