

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



*Audit Report
Pocopson Home Guest Fund
For the year ended December 31, 2008*

Valentino F. DiGiorgio, III, Controller

COUNTY OF CHESTER
AUDIT OF THE POCOPSON HOME GUEST FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

Tom Mancill, Accounting Director
Pocopson Home
1695 Lenape Road
West Chester, PA 19382

COUNTY OF CHESTER
AUDIT OF THE POCOPSON HOME GUEST FUND
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COUNTY OF CHESTER OFFICE OF THE CONTROLLER

2 N. HIGH STREET, SUITE 540, P.O. BOX 2748, WEST CHESTER, PA 19380-0991
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

VALENTINO F. DIGIORGIO, III
Controller

May 13, 2009

Pocopson Home
1695 Lenape Road
West Chester, PA 19382

Internal Audit has audited the accounts of the *Pocopson Home Guest Fund (Fund)* as of December 31, 2008, and has compiled the attached Statement of Assets and Liabilities and the related Statement of Cash Receipts, Disbursements, and Cash Balance for the year then ended. It is Internal Audit's responsibility to annually audit the accounts of the Pocopson Home Guest Fund and to report the results of such audits to the County Commissioners, the Pocopson Home management, and the Auditor General of Pennsylvania. 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 *Fund* in conformity with generally accepted accounting principles.

In our opinion, the accounts of the *Fund* are stated fairly as of December 31, 2008. Consequently, the corresponding financial statements prepared by Internal Audit present fairly, in all material respects, the assets and liabilities of the *Fund* as of December 31, 2008, 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 May 13, 2009, on our consideration of the *Fund'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
POCOPSON HOME GUEST FUND
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2008

ASSETS

| | |
|----------------------------|-----------------------|
| Cash – Checking | \$ 337,970 |
| Cash – On Hand | <u>750</u> |
| Total Cash | 338,720 |
| Due from Pocopson Fund | <u>39,641</u> |
| Total Assets | <u>\$ 378,361</u> |

LIABILITIES

| | |
|-----------------------|-----------------------|
| Due to Residents | \$ <u>378,361</u> |
| Total Liabilities | <u>\$ 378,361</u> |

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

COUNTY OF CHESTER

POCOPSON HOME GUEST FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2008

| | | |
|---------------------------------------|----------------|-------------------|
| Cash Balance, January 1, 2008 | | \$ 245,136 |
| Receipts: | | |
| Received Deposits | \$ 94,479 | |
| From Pocopson Home | 522,627 | |
| Stale Checks – Voided | <u>863</u> | |
| Total Receipts | <u>617,969</u> | |
| Disbursements: | | |
| Checkbook | \$ 301,377 | |
| Imprest Fund (Petty Cash) | 53,607 | |
| PA Deductions (Health Ins. Prem.) | 169,356 | |
| Bank Charges | <u>45</u> | |
| Total Disbursements | <u>524,385</u> | |
| Excess of receipts over disbursements | | <u>93,584</u> |
| Cash Balance, December 31, 2008 | | <u>\$ 338,720</u> |

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

COUNTY OF CHESTER
POCOPSON HOME GUEST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Note 1 - Summary of Significant Accounting Policies

Background and Reporting Entity

The *Fund* serves as an escrow account for each resident's allowable personal funds. Allowable personal funds include the \$45 monthly personal needs allowance for each resident from his/her monthly income, applicable VA benefits, monies received from family members, and monies received from the sale of resident assets. As monies are received, they are deposited into individual sub-accounts, which in aggregate comprise the overall checking account balance. Small amounts may be disbursed to the "resident" in the form of a cash allowance. At the request of the resident, check disbursements are processed to pay for miscellaneous personal items. Upon expiration of the resident, any remaining funds are disbursed to the family or designated beneficiary. Any undisbursed funds held in escrow represent a liability to the Pocopson Home.

Basis of Accounting

The books and records of the *Fund* 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 pending litigation involving the Pocopson Home Guest Fund or the Pocopson Home Administrator (Peter Perry) for the year ended December 31, 2008.



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VALENTINO F. DIGIORGIO, III
Controller

May 13, 2009

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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 with the management of the *Fund's* system of internal control and the *Fund's* quality of performance in carrying out its 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 (continued)

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 *Fund* or the County of Chester.

This report is intended for the information of the Chester County Commissioners, the Pocopson Home management, and the Auditor General of Pennsylvania. This report is, however, a matter of public record, and its distribution is not limited.

A handwritten signature in blue ink that reads "Valentino F. DiGiorgio, III" followed by a stylized flourish.

Valentino F. DiGiorgio, III
Controller

COUNTY OF CHESTER
POCOPSON HOME GUEST FUND
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2008

The audit disclosed no procedural or internal control findings, therefore an exit conference is not warranted. Pocopson Home Accounting Director, Tom Mancill, has accepted the report and management letter as presented.