

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



*Audit Report
Pocopson Home Guest Fund
For the year ended December 31, 2009*

Valentino F. DiGiorgio, III, Controller

COUNTY OF CHESTER
AUDIT OF THE POCOPSON HOME GUEST FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

David A. Holland, Administrator
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

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VALENTINO F. DIGIORGIO, III
Controller

January 10, 2011

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, 2009, and has compiled the attached Statement of Assets and Liabilities and the related Statement of 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, 2009. 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, 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 January 10, 2011, 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, 2009

ASSETS

Cash – Checking	\$ 573,434
Cash – On Hand	<u>750</u>
Total Cash	574,184
 Due from Pocopson Fund	 <u>60,784</u>
 Total Assets	 <u>\$ 634,968</u>

LIABILITIES

Due to Residents	\$ <u>634,968</u>
 Total Liabilities	 <u>\$ 634,968</u>

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

COUNTY OF CHESTER

POCOPSON HOME GUEST FUND

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2009

Cash Balance, January 1, 2009		\$ 338,720
Receipts:		
Resident Deposits	\$ 318,216	
From Pocopson Home	559,563	
Stale Checks – Voided	<u>2,348</u>	
Total Receipts	<u>880,127</u>	
Disbursements:		
Medical	196,873	
Private Pay (Room & Board)	58,909	
Burial Reserves	29,184	
Beneficiaries	129,220	
Spousal Support & Gifts to Family	147,996	
Miscellaneous	<u>82,481</u>	
Total Disbursements	<u>644,663</u>	
Excess of receipts over disbursements		<u>235,464</u>
Cash Balance, December 31, 2009		<u>\$ 574,184</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, 2009

Note 1 - Summary of Significant Accounting Policies

Background and Reporting Entity

The *Fund* serves as an escrow account for each resident's personal funds. Personal funds may include a maximum of \$45 a month from Medical Assistance for each eligible resident from his/her monthly income, applicable VA benefits, funds received from family members, and profits received from the sale of personal assets. Funds are recorded in individual sub-accounts, which in aggregate, comprise the checking account balance. Small amounts may be disbursed to the resident in the form of a cash allowance. In addition, the resident may request disbursements to pay for miscellaneous personal items. Funds are disbursed to the resident's family or designated beneficiary in the event the resident passes away while residing at the home. Undisbursed funds held in escrow represent a liability on the Pocopson Home financial statements.

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 for the year ended December 31, 2009. Peter Perry, Pocopson Home Administrator retired December 3, 2009, at which time R. Alan Larson engaged as Pocopson Home's Interim Administrator.

Note 3 - Signature Authorization

Internal Audit observed that beginning December 2009; checks were signed by a contracted Administrator. This person replaced the previous Administrator who retired in the same month. It is not common practice of the County to have a non-county employee sign checks; however this individual was given signature authority by the Commissioners and is also covered under the county's liability insurance.



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January 10, 2011

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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.



Valentino F. DiGiorgio, III
Controller

COUNTY OF CHESTER
POCOPSON HOME GUEST FUND
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2009

The audit disclosed no procedural or internal control findings; therefore an exit conference is not warranted. Pocopson Home Administrator, David A. Holland, has accepted the report and management letter as presented.