County of Chester
Office of the Sheriff

Independent Auditor’s Report

Margaret Reif, Controller
County of Chester

Office of the Sheriff

Annual Financial Statement Audit

As of December 31, 2020 and 2019

Fredda Maddox, Sheriff

Office of the Sheriff

Chester County Justice Center

201 West Market Street, Suite 1201

West Chester, PA 19380-0989
County of Chester

Office of the Sheriff

For the Years Ended December 31, 2020 and 2019

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Independent Auditor’s Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Office of the Sheriff (Sheriff), which comprises the statements of assets and liabilities arising from cash transactions as of December 31, 2020 and 2019, 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 Sheriff.

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 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 Sheriff as of December 31, 2020 and 2019, 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 July 12, 2022 on our evaluation 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.


Margaret Reif
Controller

July 12, 2022
County of Chester

Office of the Sheriff

Statements of Assets and Liabilities – Cash Basis

December 31, 2020 and 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash - Operating</td>
<td>$1,532,316</td>
<td>$3,367,150</td>
</tr>
<tr>
<td>Cash - Surcharge</td>
<td>21,253</td>
<td>31,827</td>
</tr>
<tr>
<td>Cash - Imprest Fund</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Cash - Petty Cash/Change Fund</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$1,558,919</td>
<td>$3,404,327</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to County - Fees</td>
<td>$61,522</td>
<td>$62,773</td>
</tr>
<tr>
<td>Due to Commonwealth of PA</td>
<td>28,937</td>
<td>43,378</td>
</tr>
<tr>
<td>Due to County - Imprest Fund</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Due to County - Petty Cash/Change Fund</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>Funds Held in Escrow</td>
<td>$1,463,110</td>
<td>$3,292,826</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$1,558,919</td>
<td>$3,404,327</td>
</tr>
</tbody>
</table>

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

Office of the Sheriff

Statements of Receipts, Disbursements
and Cash Balances – Cash Basis
Operating Account

For the Years Ended December 31, 2020 and 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>$ 635,945</td>
<td>$ 973,289</td>
</tr>
<tr>
<td>Funds Held in Escrow</td>
<td>6,916,899</td>
<td>17,998,756</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td>7,552,844</td>
<td>18,972,045</td>
</tr>
<tr>
<td><strong>Disbursements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County of Chester - Fees</td>
<td>624,902</td>
<td>1,089,607</td>
</tr>
<tr>
<td>Commonwealth of PA</td>
<td>11,682</td>
<td>11,471</td>
</tr>
<tr>
<td>Funds Held in Escrow</td>
<td>8,751,094</td>
<td>16,331,460</td>
</tr>
<tr>
<td><strong>Total Disbursements</strong></td>
<td>9,387,678</td>
<td>17,432,538</td>
</tr>
<tr>
<td><strong>Cash Increase (Decrease)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, Beginning of Year</td>
<td>3,367,150</td>
<td>1,827,643</td>
</tr>
<tr>
<td><strong>Cash, End of Year</strong></td>
<td>$ 1,532,316</td>
<td>$ 3,367,150</td>
</tr>
</tbody>
</table>

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

Office of the Sheriff

Statements of Receipts, Disbursements
and Cash Balances – Cash Basis
Surcharge Account

For the Years Ended December 31, 2020 and 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>$84,236</td>
<td>$126,018</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td>84,236</td>
<td>126,018</td>
</tr>
<tr>
<td><strong>Disbursements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commonwealth of PA - Fees</td>
<td>94,810</td>
<td>125,550</td>
</tr>
<tr>
<td><strong>Total Disbursements</strong></td>
<td>94,810</td>
<td>125,550</td>
</tr>
<tr>
<td><strong>Cash Increase (Decrease)</strong></td>
<td>(10,574)</td>
<td>468</td>
</tr>
<tr>
<td>Cash, Beginning of Year</td>
<td>31,827</td>
<td>31,359</td>
</tr>
<tr>
<td><strong>Cash, End of Year</strong></td>
<td>$21,253</td>
<td>$31,827</td>
</tr>
</tbody>
</table>

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

Office of the Sheriff

For the Years Ended December 31, 2020 and 2019

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Principles

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 salaries 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 balance in accordance with generally accepted accounting principles.

Note 2 – Global Pandemic

In March 2020, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic led the federal government to install a moratorium on mortgage foreclosures which impacted County Sheriff Sales. Due to the moratorium, a decline in the level of cash receipts and disbursements is reflected in the Statement of Cash Receipts, Disbursements and Cash Balances.
INDEPENDENT AUDITOR’S REPORT

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 the Office of the Sheriff (Sheriff) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Sheriff’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 Sheriff’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider to be significant deficiencies.

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 Sheriff’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Sheriff’s internal controls to be a significant deficiency:

- No independent review of bank reconciliations, monthly financial reports, and banking records.

The management of the Sheriff’s response to the findings identified in our audit is described in the accompanying Schedule of Findings. The management of the Sheriff’s response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the response.
As part of obtaining reasonable assurance about whether the Sheriff’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.

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

Margaret Reif
Controller
County of Chester
Office of the Sheriff
Schedule of Findings


Condition

During the year ended December 31, 2020, there was no independent review of bank reconciliations, monthly financial reports, and banking records. This finding was also noted in the prior year audit management letter and had not been remedied as of the year ended December 31, 2020.

Criteria

The purpose of independent review is to reduce excessive control and access over a process by one individual thus reducing the risk of error, fraud or theft.

Cause

Lack of governance and oversight practices over the accounting function by an independent reviewer.

Effect or Potential Effect

Insufficient independent review of financial records can increase risk of error, fraud, or theft related to the bank reconciliations, monthly financial reports, and banking records.

Recommendation

Internal Audit recommends the Sheriff’s Office establish and implement independent reviews of high risk or sensitive processes, as noted in the “Condition” above that may lack proper independent oversight.

Auditee Response

Please see page 12 for management’s response.
Finding 1: Planning/Cash/Financials  
Rating: Major

Condition

There is no independent review of bank reconciliations, monthly financial reports, and banking records.

Criteria

The purpose of segregating duties is to reduce excessive control over a process by one individual thus reducing the risk of error, fraud or theft.

Cause

The small size of the fiscal and managerial staff prevents segregation of duties found in larger organizations. The staff size, in addition to prior management’s limited governance and oversight over accounting functions contributed to the condition.

Effect or Potential Effect

Insufficient segregation of duties controls can increase risk of error, fraud, or theft.

Recommendation

Internal Audit recommends the Sheriff’s Office identify, assess, implement and monitor independent checks and balances in high risk or sensitive processes that may lack proper segregation of duties. Where applicable, management should also implement and maintain new procedures to address segregation of duties as they relate to the accounting and bookkeeping functions.

Auditee Response

Sheriff Management concurs with the audit finding and recommendation.
County of Chester

Office of the Sheriff

For the Years Ended December 31, 2020 and 2019

Summary of Exit Conference

An exit conference was not warranted for the audit of the Office of the Sheriff Fredda Maddox has accepted the audit report.
July 12, 2022

Mr. Christian Kriza, Senior Auditor
County of Chester
Office of the Controller
313 West Market Street, Suite 6302
West Chester, PA 19380

Re: Preliminary Annual Financial Statement Audit as of December 31, 2020 and 2019

Dear Christian:

Sheriff Management has received the Preliminary Annual Financial Statement of Audit as of December 31, 2020 and 2019, and concurs in part with the audit finding and recommendation. Please incorporate the following explanatory comments with the Financial Statement Audit:

The deficiency identified in auditor’s finding had existed prior to my tenure and auditor’s recommendation could not be resolved or concluded until personnel, legal and pandemic-related issues were settled such that the new management could take action. The auditors’ recommendation was acted upon in 2021, once the County’s hiring freeze due to the pandemic was lifted and a newly created position could be approved by the County. The hiring of a Financial Coordinator in the beginning of January 2022 and in accordance with the auditor’s recommendation and finding, improved accounting procedures and controls that were implemented during the first quarter of 2022.

Sincerely,

Fredda L. Maddox
Chester County Sheriff