Office of the Sheriff

Annual Financial Statement Audit

County of Chester
Office of the Controller
Internal Audit Department

Audit Report
For the Year Ended
December 31, 2011
COUNTY OF CHESTER
OFFICE OF THE SHERIFF
ANNUAL FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2011

Carolyn B. Welsh, Sheriff
201 West Market Street
Suite 1201
West Chester, PA 19380
COUNTY OF CHESTER
OFFICE OF THE SHERIFF
FOR THE YEAR ENDED DECEMBER 31, 2011

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Internal Audit has audited the accounts of the Office of the Sheriff (Sheriff) as of December 31, 2011, 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, 2011. 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, 2011, 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 September 24, 2012, 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.

Valentino F. DiGiorgio, III
Controller
COUNTY OF CHESTER
OFFICE OF THE SHERIFF
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2011

Assets

Cash - Regular Account $ 1,605,805
Cash - Surcharge Account 40,812
Cash - Change Fund, Petty Cash, Imprest Fund 5,350

Total Assets $ 1,651,967

Liabilities

Undisbursed Funds:
County – Fees $ 95,499
Settlement 1,508,785
PA Firearms Act Fee 1,521
PA Surcharge 40,812
Due to County – Change Fund, Petty Cash, Imprest Fund 5,350

Total Liabilities $ 1,651,967

The accompanying notes are an integral part of these financial statements.
## COUNTY OF CHESTER

### OFFICE OF THE SHERIFF

### STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCE

### OPERATING ACCOUNT

### FOR THE YEAR ENDED DECEMBER 31, 2011

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>County – Fees</td>
<td>$1,162,056</td>
</tr>
<tr>
<td>PA Firearms Act Fee</td>
<td>22,254</td>
</tr>
<tr>
<td>Settlement</td>
<td>7,542,118</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td><strong>8,726,428</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disbursements</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>County – Fees</td>
<td>1,162,247</td>
</tr>
<tr>
<td>PA Firearms Act Fee</td>
<td>27,507</td>
</tr>
<tr>
<td>Settlement</td>
<td>8,790,298</td>
</tr>
<tr>
<td><strong>Total Disbursements</strong></td>
<td><strong>9,980,052</strong></td>
</tr>
</tbody>
</table>

| Cash Decrease                   | (1,253,624) |
| Beginning Balance               | 2,859,429   |
| Ending Balance                  | $1,605,805  |

The accompanying notes are an integral part of these financial statements.
COUNTY OF CHESTER
OFFICE OF THE SHERIFF

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CASH BALANCE
SURCHARGE ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2011

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Surcharge</th>
<th>$ 180,470</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Receipts</td>
<td></td>
<td>180,470</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disbursements</th>
<th>Surcharge</th>
<th>189,603</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Disbursements</td>
<td></td>
<td>189,603</td>
</tr>
</tbody>
</table>

Cash Decrease | (9,133) |

Beginning Balance | 49,945 |

Ending Balance | $ 40,812 |

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, 2011

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, 2011.

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. In May 2011 the additional fee of $5.00 to be remitted to the Firearms License to Carry Modernization Account was discontinued. 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.
Caroline B. Welsh, Sheriff
201 W. Market Street
Suite 1201
West Chester, PA 19380

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

In planning our audit of the financial statements of Office of the Sheriff (Sheriff) as of and for the year ended December 31, 2011, 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.

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.

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.
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

We noted certain matters that we reported to the Sheriff in a separate letter dated September 24, 2012. They included the following:

- Recording / recordkeeping with respect to cash receipts
- Compliance with respect to Imprest Fund disbursements

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
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.