



**REGISTER OF WILLS/
CLERK OF ORPHANS' COURT**

PHILADELPHIA COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2007 TO DECEMBER 31, 2012

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Daniel P. Meuser
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have examined the accompanying statements of receipts and disbursements (Statements) of the Register of Wills/Clerk of Orphans' Court, Philadelphia County, Pennsylvania (County Officer), for the period January 1, 2007 to December 31, 2012, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d). These Statements are the responsibility of the county office's management. Our responsibility is to express an opinion on these Statements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Sections 401(b) and 401(d) of *The Fiscal Code* to audit the accounts of each county officer to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Sections 401(b) and 401(d) of *The Fiscal Code*.

Independent Auditor's Report (Continued)

In our opinion, the Statements referred to above present, in all material respects, the operations of the County Officer as it pertains to receipts made on behalf of the Commonwealth for the period January 1, 2007 to December 31, 2012, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Statements and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Statements are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Statements or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County Officer's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the County Officer's Statements that is more than inconsequential will not be prevented or detected by the County Officer's internal control. We consider the deficiencies described in the finding below to be significant deficiencies in internal control over reporting on the Statements:

- Inadequate Internal Control Over Receipts.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Statements will not be prevented or detected by the County Officer's internal control. Our consideration of the internal control over reporting on the Statements would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report (Continued)

This report is intended solely for the information and use of the Pennsylvania Department of Revenue, the Administrative Office of Pennsylvania Courts, and the County Officer and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke at the end.

April 16, 2014

EUGENE A. DEPASQUALE

Auditor General

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REGISTER OF WILLS
PHILADELPHIA COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2012

Receipts:

Inheritance Taxes (Note 2)	\$ 394,109,051
Disbursements and credits to Commonwealth (Note 4)	<u>(394,109,346)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	(295)
Examination adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2007 to December 31, 2012	<u><u>\$ (295)</u></u>

Notes to the Statements of Receipts and Disbursements are an integral part of this report.

CLERK OF ORPHANS' COURT
 PHILADELPHIA COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2007 TO DECEMBER 31, 2012

Receipts:

Marriage License Taxes	\$	27,725
Marriage License Application Surcharges		554,500
Marriage License Declaration Fees		554,500
Judicial Computer System/Access To Justice Fees		<u>728,773</u>
Total Receipts (Note 2)		1,865,498
Disbursements to Commonwealth (Note 4)		<u>(1,865,498)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments (Exhibit 1)		<u>17</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2007 to December 31, 2012	\$	<u><u>17</u></u>

Notes to the Statements of Receipts and Disbursements are an integral part of this report.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2012

1. Criteria

The Statements of Receipts and Disbursements provide a summary of receipts and disbursements by category. The categories and the amounts of taxes, fees, and surcharges assessed are based on Pennsylvania laws and regulations.

The Statements were prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Revenue. Under this method, only the Commonwealth portion of cash receipts and disbursements are presented, revenues are recognized when received, and expenditures are recognized when paid.

2. Receipts

Register Of Wills

Receipts consist of monies collected on behalf of the Commonwealth. These include monies collected for the following taxes and fees:

- Inheritance Taxes represent inheritance taxes filed with the Register of Wills.
- Judicial Computer System/Access To Justice Fees represent a \$10 fee imposed for the initiation of any civil action or legal proceeding, including the filing of petitions for grants of letters, and first filing in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts. These fees were increased to \$23.50 for the period December 8, 2009 to December 31, 2014.

For the purpose of reporting the collection of Judicial Computer System/Access To Justice Fees to the Department of Revenue, the office combined the Register of Wills and Clerk of Orphans' Court collections and reported them on the Clerk of Orphans' Court's monthly report. Therefore, the amount reported on the Clerk of Orphans' Court's statement of receipts and disbursements includes the fees collected for the office of the Register of Wills.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2012

2. Receipts (Continued)

Clerk Of Orphans' Court

Receipts consist of monies collected on behalf of the Commonwealth. These include monies collected for the following taxes, surcharges, and fees:

- The Marriage License Tax is a \$.50 tax on all marriage licenses filed with the Clerk of Orphans' Court.
- The Marriage License Application Surcharge is a \$10 surcharge imposed on all marriage license applications.
- The Marriage License Declaration Fees is a \$13 fee imposed for the issuance of a marriage license or declaration and for returns thereof to the Department of Health, \$2.50 of which shall be for the use of the county where the license is issued, and \$.50 for the use of the Commonwealth (Marriage License Tax), plus \$10 (Marriage License/Declaration Fees). The statement of receipts and disbursements only reflects the portion collected on behalf of the Commonwealth.
- Judicial Computer System/Access To Justice Fees represent a \$10 fee imposed on all petitions for grant of letters, and first filings in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts. These fees were increased to \$23.50 for the period December 8, 2009 to December 31, 2014.

3. Commissions

Acting in the capacity of an agent for the Commonwealth, the county office is paid a commission for collection of Inheritance Taxes. Effective January 1, 1988, the commission rate is 4.25 percent of \$1.00 to \$200,000.00 collected; 1.75 percent of \$200,000.01 to \$1,000,000.00 collected; and .5 percent of all collections in excess of \$1,000,000.00. During the period under review, the County was paid \$2,088,594 by the Department of Revenue which is not reflected in the statement of receipts and disbursements.

REGISTER OF WILLS/
 CLERK OF ORPHANS' COURT
 PHILADELPHIA COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2007 TO DECEMBER 31, 2012

4. Disbursements And Credits

Register Of Wills

Inheritance Taxes

The Register of Wills participates in the Department of Revenue's cash management system for Inheritance Taxes. Under this system, the "Agent" deposits Inheritance Tax collections to a local account approved and established in the name of the Department of Revenue, thereby eliminating the need for the agent to issue a check to disburse these taxes.

Total disbursements are comprised as follows:

Deposits into the Department of Revenue's cash management account	\$ 391,033,188
Credits issued by the Department of Revenue	<u>3,076,158</u>
Total	<u><u>\$ 394,109,346</u></u>

Clerk Of Orphans' Court

Total disbursements are comprised as follows:

Clerk of Orphans' Court checks issued to:

Department of Revenue	<u><u>\$ 1,865,498</u></u>
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5. Balance Due Commonwealth (County) For The Period January 1, 2007 To December 31, 2012

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue. The balance does not reflect adjustments disclosed by our examination. Refer to Exhibit 1.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2012

6. Prior Examination Period Balance Due - Register of Wills

We noted that there was a prior examination balance due the Commonwealth of \$4,757 which was not paid as of the end of our current examination period.

7. County Officer Serving During Examination Period

Ronald R. Donatucci, Esquire. served as Register of Wills/Clerk of Orphans' Court during the period January 1, 2007 to December 31, 2012.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
EXHIBIT 1
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2012

Exhibit 1 - Schedule Of Reporting Errors And Examination Adjustments

<u>Month</u>	<u>Day</u>	<u>Year</u>	<u>Examination Adjustments</u>	<u>Explanation</u>
1		2011	<u>\$ 17</u>	Incorrect amount calculated on JCP collections

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2012

Finding - Inadequate Internal Controls Over Receipts

Our examination of the accounting records for the office disclosed the following deficiencies in the internal controls over receipts:

- The Register of Wills office issued change in cash for check and credit card payments that exceeded the actual transaction amount. Our examination of the office's accounting records revealed that the office disbursed \$33,529.45 in cash for overpayments made by check and \$342 in cash for overpayments made by credit card during the examination period. In addition, we found that the Clerk of the Orphans Court disbursed \$6,001.15 in cash for overpayments made by check and did not provide cash change for any credit card payments.
- The office cannot account for every receipt number generated by the office's computer software. We found that the computer issues a receipt number prior to the acceptance of the actual fees. There are instances where the customer does not have the necessary funds or paperwork to complete the transaction. If the customer does not have sufficient funds or paperwork to complete the transaction the receipt number may not be voided but may be retained. When the customer returns, the receipt number can be retrieved in order to complete the transaction. However, the customer may not return to the office for several days. As a result, the current computerized receipting system allows for sequential receipt number gaps in daily reporting that are not readily apparent or easily resolved.
- We tested 103 voided receipts and found that only 43 receipts were properly voided. The office did not have any documentation for the remaining 60 receipts.

Good internal accounting controls ensure that:

- Change should not be given for transactions paid for by checks or credit cards. If the amount collected exceeds the amount due, a refund check should be disbursed to the remitter.
- Receipts are accounted for and maintained.
- All voided receipts should be accounted for and documentation is maintained to explain the reason for the void.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2012

Finding - Inadequate Internal Controls Over Receipts (Continued)

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated increases significantly.

These conditions existed because the office failed to establish adequate internal controls over its receipts.

Recommendation

We recommend that the office establish and implement an adequate system of internal controls over receipts as noted above.

Management's Response

The County Officer responded as follows:

The Register of Wills previously provided change (cash refund) to senior citizens and others who we deemed it difficult to return to our office, when they provided us with pre-written checks for more than the cost of our services. We made the proper adjustment to this practice and will no longer provide change (cash refund) in any form to the customer for checks or credit cards. In the future, the customer will have the choice of returning with the appropriate amount, or be refunded upon their request by a check from the Register of Wills.

The Register of Wills has provided documentation and explanation for why and how receipt numbers (unassociated with any paid or voided transaction) were 'skipped' over in our numbering sequence. We have worked with our software provider/vendor to account for and provide us with a daily log of transactions that clarifies and defines each receipt number in the future. We have accounted for all previously skipped receipt numbers, through a newly implemented daily log we can now account for all receipts paid, voided, or skipped. All receipt numbers recorded daily continue to match up perfectly with our final balance. Any and all skipped receipt numbers are reissued and used (often within the same day) thus all receipt numbers are accounted.

Currently, a voided receipt notebook has been instituted where the date voided, receipt number, and the reason for the voids is recorded by the cashier in the notebook. This is done on a daily basis and initialed by management.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2007 TO DECEMBER 31, 2012

This report was initially distributed to:

The Honorable Daniel P. Meuser
Secretary
Pennsylvania Department of Revenue

The Honorable Zygmunt Pines
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

The Honorable Ronald R. Donatucci, Esquire Register of Wills/Clerk of Orphans' Court

The Honorable Alan Butkovitz Controller

The Honorable Darrell L. Clarke President of City Council

This report is a matter of public record and is available online at <http://www.auditorgen.state.pa.us>. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.