

# ATTESTATION ENGAGEMENT

---

## Recorder of Deeds/Register of Wills/Clerk of Orphans' Court Huntingdon County, Pennsylvania For the Period October 1, 2010 to December 31, 2011

---

January 2015



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen

**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 Recorder of Deeds/Register of Wills/Clerk of Orphans' Court, Huntingdon County, Pennsylvania (County Officer), for the period October 1, 2010 to December 31, 2011, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d). The County Office's management is responsible for these Statements. 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 and, accordingly, included 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*.

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 October 1, 2010 to December 31, 2011, in conformity with the criteria set forth in Note 1.

## Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Statements; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Statements. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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 internal control over reporting on the Statements or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control over reporting on the Statements was for the limited purpose of expressing an opinion on whether the Statements are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control over reporting on the Statements that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*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 Statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies listed below to be material weaknesses.

- Inadequate Segregation Of Duties - Recurring.
- Inadequate Internal Controls Over The Bank Account - Recurring.

As part of obtaining reasonable assurance about whether the Statements are free from material misstatement, we performed tests of the County Office's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion.

Independent Auditor's Report (Continued)

We are concerned in light of the County Officer's failure to correct previously reported findings regarding inadequate segregation of duties and inadequate internal controls over the bank account. The failure to implement an adequate system of internal controls over segregation of duties and the bank account increases the risk for funds to be lost or misappropriated. The County Officer should strive to implement the recommendations and corrective action noted in this examination report.

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.

We appreciate the courtesy extended by the Recorder of Deeds/Register of Wills/Clerk of Orphans' Court, Huntingdon County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale  
Auditor General

September 16, 2014

## CONTENTS

Page

### Financial Section:

#### Statements Of Receipts And Disbursements:

##### Recorder Of Deeds

Realty Transfer Taxes ..... 1

Writ Taxes And Judicial Computer System/Access To Justice Fees ..... 2

Register Of Wills..... 3

Clerk Of Orphans' Court..... 4

Notes To The Statements Of Receipts And Disbursements ..... 5

### Findings and Recommendations:

Finding No. 1 - Inadequate Segregation Of Duties - Recurring ..... 10

Finding No. 2 - Inadequate Internal Controls Over The Bank Account - Recurring ..... 12

Summary Of Prior Examination Recommendations..... 14

Report Distribution ..... 15

RECORDER OF DEEDS  
HUNTINGDON COUNTY  
REALTY TRANSFER TAXES  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
OCTOBER 1, 2010 TO DECEMBER 31, 2011

Receipts:

Realty Transfer Taxes (Note 2)	\$ 732,467
Disbursements to Commonwealth (Note 4)	<u>(732,467)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	-
Examination adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period October 1, 2010 to December 31, 2011	<u><u>\$ -</u></u>

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

RECORDER OF DEEDS  
 HUNTINGDON COUNTY  
 WRIT TAXES AND JUDICIAL COMPUTER SYSTEM/ACCESS TO JUSTICE FEES  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 OCTOBER 1, 2010 TO DECEMBER 31, 2011

Receipts:

Writ Taxes	\$	5,255
Judicial Computer System/Access To Justice Fees		<u>190,045</u>
Total Receipts (Note 2)		195,300
Commissions (Note 3)		<u>(158)</u>
Net Receipts		195,142
Disbursements to Commonwealth (Note 4)		<u>(195,142)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period October 1, 2010 to December 31, 2011	\$	<u><u>-</u></u>

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

REGISTER OF WILLS  
HUNTINGDON COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
OCTOBER 1, 2010 TO DECEMBER 31, 2011

Receipts:

Inheritance Taxes (Note 2)	\$ 5,797,689
Disbursements and credits to Commonwealth (Note 4)	<u>(5,797,689)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	-
Examination adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period October 1, 2010 to December 31, 2011	<u><u>\$ -</u></u>

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

CLERK OF ORPHANS' COURT  
HUNTINGDON COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
OCTOBER 1, 2010 TO DECEMBER 31, 2011

Receipts:

Marriage License Taxes	\$	140
Marriage License Application Surcharges		2,800
Marriage License Declaration Fees		2,800
Judicial Computer System/Access To Justice Fees		<u>6,698</u>
Total Receipts (Note 2)		12,438
Disbursements to Commonwealth (Note 4)		<u>(12,438)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period October 1, 2010 to December 31, 2011	\$	<u><u>-</u></u>

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

RECORDER OF DEEDS/REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
HUNTINGDON COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
OCTOBER 1, 2010 TO DECEMBER 31, 2011

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

Recorder Of Deeds

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

- The Pennsylvania Realty Transfer Tax is a documentary stamp tax of 1 percent on the value of the interest in real property transferred by deed.
- Writ Taxes represent a \$.50 tax imposed on various types of documents and a \$10 tax on notary public commissions processed through the office.
- Judicial Computer System/Access To Justice Fees represent a \$10 fee imposed for each filing of deeds in any form, mortgages, mortgage assignments, mortgage releases, mortgage satisfaction pieces, installment sales agreements, leases for a term of 30 years or longer, and easements. These fees were increased to \$23.50 for the period December 8, 2009 to December 31, 2014.

Register Of Wills

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

- Inheritance Taxes represent inheritance taxes filed with the Register of Wills.

RECORDER OF DEEDS/REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
HUNTINGDON COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
OCTOBER 1, 2010 TO DECEMBER 31, 2011

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.

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.

RECORDER OF DEEDS/REGISTER OF WILLS/  
 CLERK OF ORPHANS' COURT  
 HUNTINGDON COUNTY  
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 OCTOBER 1, 2010 TO DECEMBER 31, 2011

3. Commissions

Acting in the capacity of an agent for the Commonwealth, the Recorder of Deeds/Register of Wills is authorized to collect a commission on the Commonwealth portion of taxes as follows:

<u>Tax</u>	<u>Commission</u>
Realty Transfer	1%
Writ	3%
Inheritance	4.25% \$1.00 to \$200,000.00 1.75% next \$800,000.00 .50% thereafter

Recorder of Deeds commissions of \$7,324.65 for Realty Transfer Taxes and Register of Wills commissions of \$41,915.79 for Inheritance Taxes were paid to the County by the Department of Revenue, which are not reflected in the Statements.

4. Disbursements And Credits

Recorder Of Deeds

**Realty Transfer Taxes**

The Recorder of Deeds participates in the Department of Revenue's cash management system for Realty Transfer Taxes. Under this system, the "Agent" deposits Realty Transfer 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	<u><u>\$ 732,467</u></u>
--	--------------------------

RECORDER OF DEEDS/REGISTER OF WILLS/  
 CLERK OF ORPHANS' COURT  
 HUNTINGDON COUNTY  
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 OCTOBER 1, 2010 TO DECEMBER 31, 2011

4. Disbursements And Credits (Continued)

**Writ Taxes And Judicial Computer System/Access To Justice Fees**

Total disbursements are comprised as follows:

Recorder of Deeds checks issued to:

Department of Revenue	\$ <u>195,142</u>
-----------------------	-------------------

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 and credits are comprised as follows:

Deposits into the Department of Revenue's cash management account	\$ 3,102,954
Credits issued by the Department of Revenue	<u>2,694,735</u>
Total	<u>\$ 5,797,689</u>

Clerk Of Orphans' Court

Total disbursements are comprised as follows:

Clerk of Orphans' Court checks issued to:

Department of Revenue	\$ <u>12,438</u>
-----------------------	------------------

RECORDER OF DEEDS/REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
HUNTINGDON COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
OCTOBER 1, 2010 TO DECEMBER 31, 2011

5. Balance Due Commonwealth (County) For The Period October 1, 2010 To December 31, 2011

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue.

6. County Officer Serving During Examination Period

Janet E. Hanks served as Recorder of Deeds/Register of Wills/Clerk of Orphans' Court during the period October 1, 2010 to December 31, 2011.

RECORDER OF DEEDS/REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
HUNTINGDON COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
OCTOBER 1, 2010 TO DECEMBER 31, 2011

**Finding No. 1 - Inadequate Segregation Of Duties - Recurring**

We cited the issue of inadequate segregation of duties in the prior examination report for the period January 1, 2007 to September 30, 2010. However, our current examination found that the office did not correct this issue. Our examination disclosed that one employee in the office was responsible for performing the following functions:

- Making the deposit.
- Posting disbursements to the disbursement journal.
- Reconciling collections to accounting records and/or receipts.
- Preparing checks.
- Summarizing accounting records.
- Making voided transactions adjustments.
- Reconciling validated deposit slip to accounting records as to the mix of cash and checks collected.
- Processing Inheritance Tax transactions.

This condition existed because office personnel ignored our prior examination recommendation and failed to establish an adequate segregation of duties.

A good system of internal controls requires adequate segregation of duties.

In order to achieve adequate segregation of duties, one employee should not have custody of cash and at the same time maintain the accounting records for the cash. These duties should be segregated and rotated daily. As an alternative control, someone independent from maintaining the accounting records and handling cash should review the employee's work daily. The reviewer should sign and date the records and documents reviewed.

Without adequate segregation of duties, the possibility of funds being lost or misappropriated increases significantly.

RECORDER OF DEEDS/REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
HUNTINGDON COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
OCTOBER 1, 2010 TO DECEMBER 31, 2011

**Finding No. 1 - Inadequate Segregation Of Duties - Recurring (Continued)**

Recommendation

We strongly recommend that the office provide for greater segregation of duties within the office. This can be done by cross-training personnel and rotating job functions that include the handling of cash and maintaining the accounting records for the cash. As an alternative and/or additional control, someone independent from the handling of cash and the accounting records should review the employee's work at the end of each day. The reviewer should sign and date the records and documents reviewed.

Management's Response

No formal response was offered at this time.

Auditor's Conclusion

This is a recurring finding. It is imperative that this office take all steps necessary to comply with our recommendation. During our next examination, we will determine if the office complied with our recommendation.

RECORDER OF DEEDS/REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
HUNTINGDON COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
OCTOBER 1, 2010 TO DECEMBER 31, 2011

**Finding No. 2 - Inadequate Internal Controls Over The Bank Account - Recurring**

We cited the office for inadequate controls over the bank account in our prior examination report for the period January 1, 2007 to September 30, 2010. However, our current examination found that the office did not correct this issue. Our examination of the accounting records for the office disclosed the following deficiencies in the internal controls over the bank account:

- Bank reconciliations were not prepared.
- A running checkbook was not maintained.
- A check register was not maintained.
- An outstanding checklist was not maintained.

Because of the deficiencies listed above, a reconciliation of the bank account could not be performed.

These conditions existed because the office ignored our prior examination recommendation and failed to establish adequate internal controls over its bank account.

A good system of internal controls ensures that:

- A check register with a running balance is maintained and bank statements are reconciled to the book balance on a monthly basis and any discrepancies are immediately investigated and resolved.
- Adequate procedures are established to follow-up on all outstanding checks. If a check is outstanding for more than 90 days, efforts should be made to locate the payee. If efforts to locate the payee are unsuccessful, the amount of the check should be removed from the outstanding checklist, added back to the checkbook balance, and subsequently held in escrow for unclaimed escheatable funds.

Without a good system of internal controls over the bank account, the possibility of funds being lost or misappropriated increases significantly.

RECORDER OF DEEDS/REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
HUNTINGDON COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
OCTOBER 1, 2010 TO DECEMBER 31, 2011

**Finding No. 2 - Inadequate Internal Controls Over The Bank Account - Recurring  
(Continued)**

Recommendation

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

Management's Response

No formal response was offered at this time.

Auditor's Conclusion

This is a recurring finding. It is imperative that the district court take all steps necessary to comply with our recommendation. During our next examination, we will determine if the office complied with our recommendation.

RECORDER OF DEEDS/REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
HUNTINGDON COUNTY  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
OCTOBER 1, 2010 TO DECEMBER 31, 2011

Summary Of Prior Examination Recommendations

During our prior examination, we recommended:

- That the office establishes and implements an adequate system of internal controls over processing inheritance tax payments.
- That the office establishes and implements procedures to ensure that all inheritance tax cases are properly filed and made available for examination.
- That the County Officer and other responsible county officials take all necessary and reasonable steps to ensure that the County Officer's official files and documents are stored in a secure location.
- That the office submits reports to the Department of Revenue as required.

During our current examination, we noted that the office complied with our recommendations.

RECORDER OF DEEDS/REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
HUNTINGDON COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
OCTOBER 1, 2010 TO DECEMBER 31, 2011

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 Courts  
Administrative Office of Pennsylvania Courts

The Honorable Virginia Cooper

Recorder of Deeds/Register of Wills/  
Clerk of Orphans' Court

The Honorable Gary A. O'Korn

Chairperson of the Board of Commissioners

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](mailto:news@auditorgen.state.pa.us).