

# ATTESTATION ENGAGEMENT

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## Recorder of Deeds Westmoreland County, Pennsylvania For the Period January 1, 2011 to December 31, 2011

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June 2015



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



Commonwealth of Pennsylvania  
Department of the Auditor General  
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**EUGENE A. DePASQUALE**  
AUDITOR GENERAL

### Independent Auditor's Report

The Honorable Eileen H. McNulty  
Acting Secretary  
Pennsylvania Department of Revenue  
Harrisburg, PA 17128

We have examined the accompanying statements of receipts and disbursements (Statements) of the Recorder of Deeds, Westmoreland County, Pennsylvania (County Officer), for the period January 1, 2011 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 January 1, 2011 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 deficiency listed below to be a material weaknesses.

- Inadequate Accountability Over Funds Held In Escrow.

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. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

- Inadequate Assessment Of Fees.

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.

We appreciate the courtesy extended by the Recorder of Deeds, Westmoreland 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.

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.

March 11, 2015

Eugene A. DePasquale  
Auditor General

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

Receipts:

Realty Transfer Taxes (Note 2)	\$ 6,909,384
Commissions (Note 3)	<u>(69,094)</u>
Net Receipts	6,840,290
Disbursements to Commonwealth (Note 4)	<u>(6,840,389)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	(99)
Examination adjustment (Note 6)	<u>99</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2011 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  
 WESTMORELAND COUNTY  
 WRIT TAXES AND JUDICIAL COMPUTER SYSTEM/ACCESS TO JUSTICE FEES  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2011 TO DECEMBER 31, 2011

Receipts:

Writ Taxes	\$	29,741
Judicial Computer System/Access To Justice Fees		<u>1,068,823</u>
Total Receipts (Note 2)		1,098,564
Commissions (Note 3)		<u>(892)</u>
Net Receipts		1,097,672
Disbursements to Commonwealth (Note 4)		<u>(1,097,672)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2011 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  
WESTMORELAND COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2011 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 and fees 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

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.

3. Commissions

Acting in the capacity of an agent for the Commonwealth, the Recorder of Deeds 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%

RECORDER OF DEEDS  
WESTMORELAND COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2011

4. Disbursements

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>\$ 6,840,389</u>
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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>\$ 1,097,672</u>
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5. Balance Due Commonwealth (County) For The Period January 1, 2011 To December 31, 2011

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.

6. Examination Adjustment - Realty Transfer Tax

During our current audit, January 1, 2011 to December 31, 2011, we determined that the Department of Revenue overstated the total paid for February 2011 by \$99.

7. County Officer Serving During Examination Period

Thomas Murphy served as Recorder of Deeds during the period January 1, 2011 to December 31, 2011.

RECORDER OF DEEDS  
WESTMORELAND COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2011

**Finding No. 1 - Inadequate Accountability Over Funds Held In Escrow**

Our examination disclosed that there was no accountability over undisbursed funds. There was an adjusted bank balance of \$254,121.46 as of December 31, 2011, without a corresponding liabilities report indicating to whom the monies were due.

Good internal accounting control procedures ensure that the ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the office bank account is essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available funds on hand should equal unpaid obligations.

Without a good system of internal controls over funds held in escrow, the possibility of funds being lost or misappropriated increases significantly.

This condition existed because the office failed to establish and implement an adequate system of internal controls over funds held in escrow.

**Recommendations**

We recommend that the office attempt to identify all existing liabilities associated with the office bank accounts and take appropriate action. Any unidentified funds should be accounted for under normal escheat procedures. Furthermore, we recommend that the office should ensure that reconciled cash equals unpaid obligations monthly.

**Management's Response**

The County Officer responded as follows:

A review of this aspect will be conducted in consultation with the county auditors. This will be an important consultation for us as this is a finding that was not discovered by the county auditors within their audit of the same accounts for the same reporting period.

**Auditor's Conclusion**

During our next examination we will determine if the office complied with our recommendations.

RECORDER OF DEEDS  
WESTMORELAND COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2011

**Finding No. 2 - Inadequate Assessment Of Fees**

Our examination disclosed that the office did not assess Judicial Computer System/Access to Justice (JCS/ATJ) Fees as mandated by law. Of 26 instruments tested, we noted 13 instruments in which the Judicial Computer System/Access to Justice (JCS/ATJ) Fees was not assessed properly.

Title 42 Pa. C.S.A. § 3733 provided for the collection of Judicial Computer System/Access to Justice (JCS/ATJ) Fees.

The improper assessing of these fees resulted in the payee not being assessed the proper amount of fees associated with the recording of an instrument and resulted in a loss of revenue to the Commonwealth.

These incorrect assessments occurred because the Office's pre-printed receipts did not itemize all state recording fees that are to be collected.

Recommendation

We recommend that the office review the law noted above to ensure that all JCS/ATJ fees are properly assessed as mandated by law.

Management's Response

The County Officer responded as follows:

The fees collected will be reviewed with the software vendor to make sure that all fees are collected accurately and distributed properly.

Auditor's Conclusion

During our next examination we will determine if the office complied with our recommendation.

RECORDER OF DEEDS  
WESTMORELAND COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2011

This report was initially distributed to:

The Honorable Eileen H. McNulty  
Acting Secretary  
Pennsylvania Department of Revenue

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

The Honorable Frank Schiefer	Recorder of Deeds
The Honorable Jeffrey Balzer	Controller
The Honorable Charles Anderson	Chairperson of the Board of Commissioners

This report is a matter of public record and is available online at <http://www.PaAuditor.gov>.  
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@PaAuditor.gov](mailto:news@PaAuditor.gov).