

# ATTESTATION ENGAGEMENT

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## Recorder of Deeds Register of Wills Montour County, Pennsylvania For the Period January 1, 2011 to December 31, 2013

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August 2015



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

### Independent Auditor's Report

The Honorable Eileen H. McNulty  
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, Montour County, Pennsylvania (County Officer), for the period January 1, 2011 to December 31, 2013, 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, 2013, 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.

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. 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.

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. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the finding listed below, that we consider to be a significant deficiency.

- Inadequate Internal Controls Over Computer System - 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. 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.

We appreciate the courtesy extended by the Recorder of Deeds/Register of Wills, Montour 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.

June 8, 2015

Eugene A. DePasquale  
Auditor General

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RECORDER OF DEEDS  
 MONTOUR COUNTY  
 REALTY TRANSFER TAXES  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2011 TO DECEMBER 31, 2013

Receipts:

Realty Transfer Taxes (Note 2)	\$	1,588,103
Commissions (Note 3)		<u>(15,881)</u>
Net Receipts		1,572,222
Disbursements to Commonwealth (Note 4)		<u>(1,572,222)</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, 2013	\$	<u><u>-</u></u>

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

RECORDER OF DEEDS  
 MONTOUR 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, 2013

Receipts:

Writ Taxes	\$	5,412
Judicial Computer System/Access To Justice Fees		<u>182,407</u>
Total Receipts (Note 2)		187,819
Commissions (Note 3)		<u>(162)</u>
Net Receipts		187,657
Disbursements to Commonwealth (Note 4)		<u>(187,657)</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, 2013	\$	<u><u>-</u></u>

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

REGISTER OF WILLS  
MONTOUR COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2013

Receipts:

Inheritance Taxes	\$ 4,334,312
Judicial Computer System/Access To Justice Fees	<u>6,510</u>
Total Receipts (Note 2)	4,340,822
Disbursements and credits to Commonwealth (Note 4)	<u>(4,341,449)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	(627)
Examination adjustments (Note 6)	<u>627</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2011 to December 31, 2013	<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  
MONTOUR COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2013

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

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, 2013.

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  
 MONTOUR COUNTY  
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2011 TO DECEMBER 31, 2013

2. Receipts (Continued)

Register Of Wills (Continued)

- 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, 2013.

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

Register of Wills commissions of \$74,172 for Inheritance Taxes were paid to the County by the Department of Revenue, which are not reflected in the Statements.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
MONTOUR COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2013

4. Disbursements

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>1,572,222</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>187,657</u>
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RECORDER OF DEEDS/  
REGISTER OF WILLS  
MONTOUR COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2013

4. Disbursements (Continued)

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	4,334,939
Checks issued to the Department of Revenue for Judicial Computer System/Access To Justice Fees	<u>6,510</u>
Total	<u><u>\$ 4,341,449</u></u>

5. Balance Due Commonwealth (County) For The Period January 1, 2011 To December 31, 2013

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

6. Examination Adjustment - Register Of Wills

The examination adjustment is to correct an error in deposit of \$627 into the Register of Wills cash management account in March 2013. The \$627 was correctly deposited into the Recorder of Deeds cash management account on April 1, 2013.

7. County Officer Serving During Examination Period

Linda L. Weaver served as Recorder of Deeds/Register of Wills during the period January 1, 2011 to December 31, 2013.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
MONTOUR COUNTY  
FINDING AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2013

**Finding - Inadequate Internal Controls Over Computer System - Recurring**

We cited the office for inadequate internal controls over computer system in the last three examination reports, with the most recent for the period January 1, 2007 to December 31, 2010. Our current examination found that the office did not correct this issue. Montour County Recorder of Deeds and Register of Wills (County) uses software purchased from and supported by an outside service organization (Vendor) to account for transactions. The Vendor has remote access to the County's computer system and data. The County initiates and approves transactions from remote terminals in the County. These transactions are then transmitted electronically to the Vendor's computer system. The Vendor is responsible for processing all of the transactions and producing the necessary reports and accounting entries to record the receipt and distribution of funds and to prepare the financial statements.

During discussions with Vendor personnel, we learned that the Vendor has the ability to make changes to the County's data in a manner that would not be recorded through the normal accounting processes and, therefore, would not generate a normal examination trail.

We also noted the following weaknesses:

- The contract agreement between the County and the Vendor relieves the Vendor of any liability concerning loss of data or system functionality that may be caused by the Vendor's actions. The contract states, in part, "The client agrees to limit [Vendor's] liability to the correction of the application software. In the event [Vendor] cannot, within a reasonable period of time, affect an adequate software correction, the client may opt to terminate this agreement. However, [Vendor] shall not be liable for direct, indirect, incidental, or consequential damages arising from the use or the inability to use the software or service herein described. Neither shall [Vendor] be responsible for the loss of data, the cost of data recovery, or the loss of profit or revenue."
- The Vendor is using group user IDs and passwords instead of unique user IDs and passwords for each employee. Use of the group user IDs eliminates the ability to isolate and track the Vendor employee(s) who changed the County's data
- The Vendor has unmonitored access to the County's data.
- County users are not required to periodically change their passwords after initial password selection.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
MONTOUR COUNTY  
FINDING AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2013

**Finding - Inadequate Internal Controls Over Computer System - Recurring (Continued)**

These conditions existed because the County ignored our three prior examination recommendations and failed to establish adequate internal controls over its computer system.

Effective security policy and practice requires the County's approval and monitoring of any computer data changes made by the Vendor, particularly because of the Vendor's access to critical applications. Furthermore, to ensure confidentiality, passwords should be changed periodically and not exchanged between employees.

According to the Computer Emergency Response Team (CERT) of Carnegie Mellon University, inadequate contractor security policies and practices can result in undetected intrusions or security violations, lack of data integrity, and loss of privacy.

**Recommendations**

We strongly recommend:

- That the County establish procedures to periodically generate monitoring reports that include the date, time, reason for change(s), change(s) made, and who made the change(s). The County should routinely review these reports to determine that access was appropriate and that data was not improperly altered.
- That the County continue to take prudent steps to properly secure their production servers from unauthorized access using the remote access software installed on their system. We recommend consideration of security practices published by respected authorities in the field, such as the NIST Federal Information Processing Standards Publication entitled:

Minimum Security Requirements for Federal Information and Information Systems  
(<http://csrc.nist.gov/publications/fips/fips200/FIPS-200-final-march.pdf>)

RECORDER OF DEEDS/  
REGISTER OF WILLS  
MONTOUR COUNTY  
FINDING AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2013

**Finding - Inadequate Internal Controls Over Computer System - Recurring (Continued)**

Recommendations (Continued)

- That the County negotiate an updated contract and software maintenance agreement with the Vendor. During this process the County's legal counsel should consider how to protect the County's interests in the event that errors or fraud occur as a result of Vendor employees accessing the County's data. Further, in accordance with the CERT document cited above, the following computer security issues should be considered for inclusion in the contract:
  - Assurances that vulnerabilities to known forms of attack have been addressed in the contractor software (i.e., all security patches have been updated and applied), assertions that contractor software is installed and configured to operate securely, and warranties that no malicious code (i.e., Trojan Horses) or viruses exist in contractor software.
  - The remote access method, the user authentication process, and a requirement that the contractor communicate securely with the County's site when operating remotely.
  - The ability to restrict systems administrator-level access to authorized users, as well as the ability to log appropriate activities for purposes of detecting intrusions and attempted intrusions.
  - A recently completed security evaluation of the contractor encompassing the technology being selected.
  - A non-disclosure agreement if the contractor may encounter proprietary information on the County's systems.
- That the County always maintains an updated contract so as to provide appropriate legal recourse in the event of disputes with the Vendor.
- That the County office users be required to periodically change their passwords.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
MONTOUR COUNTY  
FINDING AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2013

**Finding - Inadequate Internal Controls Over Computer System - Recurring (Continued)**

Management's Response

The officeholder responded as follows:

We are in the process of getting a new and bigger Information Technology company and we now have to change our passwords to get into our computers. However, we cannot control how the current software company wants us to use the same user name and password to get in to their software. We have no control over that.

Auditor's Conclusion

The County must require the software company to assign each employee unique user names and passwords to ensure adequate tracking of all data. This is a recurring finding. It is imperative that the office take all steps necessary to comply with our recommendations. During our next examination we will determine if the office complied with our recommendations.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
MONTOUR COUNTY  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2013

Summary Of Prior Examination Recommendations

During our prior examination we recommended:

- That the office establish and implement an adequate system of internal controls over receipts.
- That the County establish procedures to periodically generate monitoring reports that include the date, time, reason for change(s), change(s) made, and who made the change(s).
- That the County should continue to take prudent steps to properly secure their production servers from unauthorized access using the remote access software installed on their system.
- That the County negotiate an updated contract and software maintenance agreement with the Vendor.
- That the County always maintains an updated contract so as to provide appropriate legal recourse in the event of disputes with the Vendor.
- That the County office users be required to periodically change their passwords.

Our current examination found that the office substantially complied with our first bulleted recommendation. However, the office did not comply with our remaining bulleted recommendations. Please refer to the current year finding for additional information.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
MONTGOMERY COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2013

This report was initially distributed to:

The Honorable Eileen H. McNulty  
Secretary  
Pennsylvania Department of Revenue

The Honorable Thomas B. Darr  
Court Administrator of Pennsylvania  
Supreme Court of Pennsylvania Courts  
Administrative Office of Pennsylvania Courts

The Honorable Linda L. Weaver

Recorder of Deeds/Register of Wills

The Honorable Trevor S. Finn

Chairperson of the Board of Commissioners

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).