

ATTESTATION ENGAGEMENT

Register of Wills/
Clerk of Orphans' Court
Allegheny County, Pennsylvania
For the Period
January 1, 2012 to December 31, 2015

October 2016



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
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www.PaAuditor.gov

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 Register of Wills/Clerk of Orphans' Court, Allegheny County, Pennsylvania (County Officer), for the period January 1, 2012 to December 31, 2015, 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, 2012 to December 31, 2015, 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 Internal Controls Over Receipts - 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*.

We are concerned that the County Office failed to correct a previously reported finding regarding the inadequate internal controls over receipts. This material weakness increases the risk for funds to be lost or misappropriated. The County office should strive to implement the recommendation and corrective actions noted in this report.

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 Register of Wills/Clerk of Orphans' Court, Allegheny 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.

September 23, 2016

Eugene A. DePasquale
Auditor General

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REGISTER OF WILLS
ALLEGHENY COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2015

Receipts:

Inheritance Taxes	\$ 433,947,770
Disbursements and credits to Commonwealth (Note 4)	<u>(433,947,770)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	-
Examination adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2012 to December 31, 2015	<u><u>\$ -</u></u>

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

CLERK OF ORPHANS' COURT
 ALLEGHENY COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2012 TO DECEMBER 31, 2015

Receipts:

Marriage License Taxes	\$	13,492
Marriage License Application Surcharges		269,850
Marriage License Declaration Fees		269,850
Judicial Computer System/Access To Justice Fees		<u>583,056</u>
Total Receipts (Note 2)		1,136,248
Disbursements to Commonwealth (Note 4)		<u>(1,136,248)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2012 to December 31, 2015	\$	<u><u>-</u></u>

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

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
ALLEGHENY COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2015

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.

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.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
ALLEGHENY COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2015

2. Receipts (Continued)

Clerk Of Orphans' Court (continued)

- Judicial Computer System/Access To Justice Fees represent a \$23.50 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. Effective July 10, 2014, Act 126 increased the fee to \$33.50. Effective August 8, 2014, Act 113 increased the fee to \$35.50.

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.

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 \$2,240,683 by the Department of Revenue which is not reflected in the statement of receipts and disbursements.

REGISTER OF WILLS/
 CLERK OF ORPHANS' COURT
 ALLEGHENY COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2012 TO DECEMBER 31, 2015

4. Disbursements

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	\$ 433,919,438
Credits issued by the Department of Revenue	<u>28,332</u>
Total	<u><u>\$ 433,947,770</u></u>

Clerk Of Orphans' Court

Total disbursements are comprised as follows:

Clerk of Orphans' Court checks issued to:

Department of Revenue	<u><u>\$ 1,136,248</u></u>
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5. Balance Due Commonwealth (County) For The Period January 1, 2012 To December 31, 2015

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

6. County Officer Serving During Examination Period

Kate Barkman served as Register of Wills/Clerk of Orphans' Court during the period January 1, 2012 to December 31, 2015.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
ALLEGHENY COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2015

Finding - Inadequate Internal Controls Over Receipts - Recurring

We cited the issue of inadequate internal controls over receipts in the prior examination report for the period January 7, 2008 to December 31, 2011. Our current examination found that the office did not correct this issue.

Our current examination of the accounting records for the office disclosed that there were 80 out of 120 deposits tested that had a mix of cash and checks recorded on the deposit slips that did not agree with the mix of cash and checks recorded on the accounting records.

It should be noted that the testing of the receipts indicated that the total amount receipted equaled the total amount deposited.

This condition existed because the office failed to establish and implement an adequate system of internal controls over receipts as recommended in our prior examination report.

A good system of internal controls ensures that receipts are recorded in the same manner as payments are received (i.e., cash, check, money order, credit card). Any discrepancies should be immediately investigated and resolved.

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

Recommendation

We strongly 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 Department of Court Records Wills/Orphans' Division is currently in the process of hiring a Financial Manager. Once the position is filled the Financial Manager will oversee this process and make the necessary changes. In the interim we will make the necessary changes recommended by the auditors.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
ALLEGHENY COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2015

Finding - Inadequate Internal Controls Over Receipts (Continued)

Auditor's Conclusion

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

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
ALLEGHENY COUNTY
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2015

Summary of Prior Examination Recommendations

During our prior examination, we recommended that the office:

- Establish and implement procedures to ensure that all records are properly accounted for and maintained. In addition, all documents should be kept until audited by the Department of the Auditor General.
- Establish and implement an adequate system of internal controls over voided receipts.
- Provide for greater segregation of duties within the office.
- Establish and implement an adequate system of internal controls over receipts.

During our current examination, we noted that the office complied with our first three bulleted recommendations. However, the office did not comply with our fourth bulleted recommendation. Please see the current year finding for additional information.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
ALLEGHENY COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2015

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
Administrative Office of Pennsylvania Courts

The Honorable Kate Barkman
Register of Wills/Clerk of Orphans' Court

The Honorable Chelsa Wagner
Controller

The Honorable Rich Fitzgerald
Allegheny County Executive of the Board of Commissioners

This report is a matter of public record and is available online at 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.