

RECORDER OF DEEDS

ALLEGHENY COUNTY

AUDIT REPORT

FOR THE PERIOD

JANUARY 7, 2002 TO DECEMBER 31, 2004



## CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1
Financial Statements:	
Statements Of Receipts And Disbursements – Cash Basis:	
Realty Transfer Taxes .....	3
Writ Taxes And Judicial Computer System/Access To Justice Fees .....	4
Notes To The Financial Statements .....	5
Report On Compliance And On Internal Control Over Financial Reporting .....	7
Finding And Recommendations:	
Finding - Inadequate Accountability Over Funds Held In Escrow .....	9
Report Distribution .....	11



## Independent Auditor's Report

The Honorable Gregory C. Fajt  
Secretary  
Department of Revenue  
Harrisburg, PA 17128

We have audited the accompanying statements of receipts and disbursements – cash basis of the Recorder of Deeds, Allegheny County, Pennsylvania (County Officer), for the period January 7, 2002 to December 31, 2004, pursuant to the requirements of Sections 401(b), 401(d), and 902 of *The Fiscal Code*. These financial statements are the responsibility of the county office's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the accompanying financial statements were prepared using accounting practices prescribed by the Pennsylvania Department of Revenue, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The financial statements present only the Commonwealth portion of cash receipts and disbursements and are not intended to present fairly the financial position and results of operations of the County Officer, in conformity with accounting principles generally accepted in the United States.

Independent Auditor's Report (Continued)

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County Officer, as of December 31, 2004, the changes in its financial position, or where applicable, its cash flows for the period then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the operations of the County Officer as it pertains to receipts made on behalf of the Department of Revenue, for the period January 7, 2002 to December 31, 2004, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2006, on our consideration of the County Officer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

June 26, 2006

JACK WAGNER  
Auditor General

RECORDER OF DEEDS  
 ALLEGHENY COUNTY  
 REALTY TRANSFER TAXES  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS  
 FOR THE PERIOD  
 JANUARY 7, 2002 TO DECEMBER 31, 2004

Receipts:

Realty Transfer Taxes (Note 2)	\$ 102,592,367
Commissions (Note 3)	<u>(1,025,927)</u>
Net receipts	101,566,440
Disbursements to Department of Revenue (Note 4)	<u>(101,566,459)</u>
Balance due Department of Revenue (County) per settled reports (Note 5)	(19)
Audit adjustments	<u>-</u>
Adjusted balance due Department of Revenue (County) for the period January 7, 2002 to December 31, 2004	<u>\$ (19)</u>

Notes to the financial statements are an integral part of this report.

RECORDER OF DEEDS  
 ALLEGHENY COUNTY  
 WRIT TAXES AND JUDICIAL COMPUTER SYSTEM/ACCESS TO JUSTICE FEES  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS  
 FOR THE PERIOD  
 JANUARY 7, 2002 TO DECEMBER 31, 2004

Receipts:

Writ Taxes	\$	496,266
Judicial Computer System/Access To Justice Fees		<u>5,935,490</u>
Total receipts (Note 2)		6,431,756
Commissions (Note 3)		<u>(14,888)</u>
Net receipts		6,416,868
Disbursements to Department of Revenue (Note 4)		<u>(6,416,868)</u>
Balance due Department of Revenue (County) per settled report (Note 5)		-
Audit adjustments		<u>-</u>
Adjusted balance due Department of Revenue (County) for the period January 7, 2002 to December 31, 2004	\$	<u><u>-</u></u>

Notes to the financial statements are an integral part of this report.



RECORDER OF DEEDS  
ALLEGHENY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD  
JANUARY 7, 2002 TO DECEMBER 31, 2004

1. Summary Of Significant Accounting Policies

Basis Of Presentation

The financial statements were prepared in accordance with the requirements of the Pennsylvania Department of Revenue. These financial statements are not intended to present either financial results of operations or financial position in conformity with generally accepted accounting principles.

Basis Of Accounting

The financial statements were prepared on the cash basis of accounting. Under this method, revenues were recognized when received and expenditures were recognized when paid.

Audit Requirement

The financial presentation has been prepared in accordance with Title 72 P.S. Section 401 (b) of *The Fiscal Code*, which requires the Department of the Auditor General to determine whether all money collected on behalf of the Commonwealth has been remitted properly and to provide the Department of Revenue with a report to enable them to settle an account covering any delinquency. A statement of assets and liabilities was not a required part of the financial presentation because of the limited reporting scope by the Recorder of Deeds. Therefore, a statement of assets and liabilities was not audited and is not a part of this report.

2. Receipts

Receipts consist of monies collected on behalf of the Department of Revenue. 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 for filings after November 1, 2002, imposed for each filing of a deed, mortgage, or property transfer.

RECORDER OF DEEDS  
ALLEGHENY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD  
JANUARY 7, 2002 TO DECEMBER 31, 2004

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%

4. Disbursements To Department Of Revenue

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.

Writ Taxes And Judicial Computer System/Access To Justice Fees

All disbursements of Writ Taxes and Judicial Computer System/Access To Justice Fees are made by check to the Department of Revenue on a monthly basis.

5. Balance Due Department Of Revenue (County) For The Period January 7, 2002 To December 31, 2004

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

6. County Officer Serving During Audit Period

Valerie McDonald Roberts served as Recorder of Deeds during the period January 7, 2002 to December 31, 2004.

Report On Compliance and On  
Internal Control Over Financial Reporting

The Honorable Gregory C. Fajt  
Secretary  
Department of Revenue  
Harrisburg, PA 17128

We have audited the statements of receipts and disbursements – cash basis of the Recorder of Deeds, Allegheny County, Pennsylvania (County Officer), for the period January 7, 2002 to December 31, 2004, and have issued our report thereon dated June 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County Officer’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County Officer’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over

Report On Compliance And On  
Internal Control Over Financial Reporting (Continued)

financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County Officer's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition described in the finding is as follows:

- Inadequate Accountability Over Funds Held In Escrow.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above to be a material weakness.

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

June 26, 2006

JACK WAGNER  
Auditor General

RECORDER OF DEEDS  
ALLEGHENY COUNTY  
FINDING AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 7, 2002 TO DECEMBER 31, 2004

Finding - Inadequate Accountability Over Funds Held In Escrow

Our audit disclosed that there was inadequate accountability over cash held in escrow. As of December 31, 2004, cash on hand exceeded recorded obligations by \$24,348.40.

Good internal accounting control procedures ensure that all obligations are accounted for and reconciled with the bank account monthly. Since the bank account of the Allegheny County Recorder of Deeds is essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available cash on hand should equal unpaid obligations.

Per office staff, this condition existed because they believed that money was not deposited into the correct account. However, our audit could not substantiate this claim.

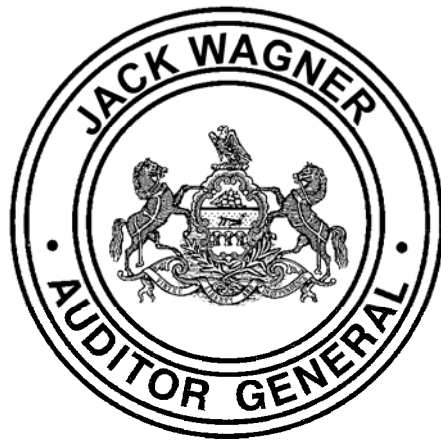
Without this control, the potential for errors or irregularities in the distribution of funds held in escrow to remain undetected increases.

Recommendations

We recommend that the office attempt to identify the existing cash overage. Any unidentified funds should be accounted for under normal escheat procedures. Furthermore, the office should ensure that reconciled cash equals unpaid obligations monthly.

Auditee Response

No formal response was offered at this time.



RECORDER OF DEEDS  
ALLEGHENY COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 7, 2002 TO DECEMBER 31, 2004

This report was initially distributed to:

The Honorable Gregory C. Fajt  
Secretary  
Department of Revenue

Recorder of Deeds  
Allegheny County  
Allegheny County Courthouse  
Pittsburgh, PA 15219

The Honorable Valerie McDonald Roberts      Recorder of Deeds

The Honorable Mark Patrick Flaharty      Controller

The Honorable Dan Onorato      Allegheny County Chief Executive

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).