



RECORDER OF DEEDS
CUMBERLAND COUNTY
AUDIT REPORT
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

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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, Cumberland County, Pennsylvania (County Officer), for the period January 1, 2002 to December 31, 2005, 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, 2005, 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 1, 2002 to December 31, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 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.

April 12, 2006

JACK WAGNER
Auditor General

RECORDER OF DEEDS
CUMBERLAND COUNTY
REALTY TRANSFER TAXES
STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

Receipts:

Realty Transfer Taxes (Note 2)	\$ 43,856,476
Commissions (Note 3)	<u>(438,564)</u>
Net receipts	43,417,912
Disbursements to Department of Revenue (Note 4)	<u>(43,417,911)</u>
Balance due Department of Revenue (County) per settled reports (Note 5)	1
Audit adjustments	<u>-</u>
Adjusted balance due Department of Revenue (County) for the period January 1, 2002 to December 31, 2005	<u>\$ 1</u>

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

RECORDER OF DEEDS
CUMBERLAND COUNTY
WRIT TAXES AND JUDICIAL COMPUTER SYSTEM/ACCESS TO JUSTICE FEES
STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

Receipts:

Writ Taxes	\$ 132,338
Interest Earned On Commonwealth Funds	1,105
Judicial Computer System/Access To Justice Fees	<u>1,683,010</u>
Total receipts (Note 2)	1,816,453
Commissions (Note 3)	<u>(3,970)</u>
Net receipts	1,812,483
Disbursements to Department of Revenue (Note 4)	<u>(1,812,483)</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 1, 2002 to December 31, 2005	<u>\$ -</u>

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

RECORDER OF DEEDS
CUMBERLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

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 fees (\$5.00 for filings prior to November 1, 2002 and \$10.00 for filings afterwards) imposed for each filing of a deed, mortgage, or property transfer.

RECORDER OF DEEDS
CUMBERLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

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 1, 2002 To December 31, 2005

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

6. County Officer Serving During Audit Period

Robert P. Ziegler served as Recorder of Deeds during the period January 1, 2002 to December 31, 2005.

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, Cumberland County, Pennsylvania (County Officer), for the period January 1, 2002 to December 31, 2005, and have issued our report thereon dated April 12, 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

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

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 conditions described in the findings are as follows:

- Missing Manual Receipts.
- Lack Of Internal Control Of Bank Deposits.

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 all the reportable conditions described above to be material weaknesses.

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.

April 12, 2006

JACK WAGNER
Auditor General

RECORDER OF DEEDS
CUMBERLAND COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 1 - Missing Manual Receipts

Our testing of cash receipts revealed that manual receipt numbers 9548, 9552, 9557, 9559 and 9566 could not be located and were not available for the audit.

Good internal accounting controls ensure that all receipts are properly maintained and accounted for. Without a good system of internal control over manual receipts, the potential is increased that funds could be lost, stolen, or misappropriated.

This condition existed because the office failed to establish and implement an adequate system of internal control over manual receipts.

This condition was cited in the prior audit period ending December 31, 2001.

Recommendation

We again recommend that the office establish and implement an adequate system of internal controls to ensure that all manual receipts are properly maintained and accounted for.

Auditee Response

No formal response was offered at this time.

RECORDER OF DEEDS
CUMBERLAND COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

Finding No. 2 - Lack Of Internal Control Of Bank Deposits

Our audit disclosed a lack of internal control over bank deposits. In 40 of 40 bank deposits tested, the mix of cash and checks per the daily cash receipts journal did not agree with the mix of cash and checks deposited into the bank.

Good internal controls ensure that the mix of cash and checks collected per the cash receipts journal are in agreement with the mix of cash and checks deposited into the bank and that all monies collected are deposited intact at the end of each day. Without these controls, the potential for money being unaccounted for and/or misappropriated increases significantly.

According to the Recorder of Deeds, the clerks are not inputting a check number when a transaction is paid for with a check and the computer picks the transaction up as cash. Also, change (up to \$10) is given back if a check is written over the transaction amount.

Recommendation

We recommend that the office improve internal controls over receipts by ensuring that the mix of cash and checks receipted for the day agrees with the mix of cash and checks deposited for the day. This includes ensuring that the proper method of collection (e.g., cash or check) is posted into the computer system. Any discrepancies should be immediately investigated and resolved.

Auditee Response

The Recorder of Deeds responded as follows:

- Cash differences in reports result from clerk not entering a check number. If the field is blank, system assumes transaction to be cash.

Auditor's Conclusion

Clerks should ensure that if the payment is made by check, the check number should be inserted in the field to avoid the system assuming the transaction to be cash.

RECORDER OF DEEDS
CUMBERLAND COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2002 TO DECEMBER 31, 2005

This report was initially distributed to:

The Honorable Gregory C. Fajt
Secretary
Department of Revenue

Recorder of Deeds
Cumberland County
Cumberland County Courthouse
Carlisle, PA 17013

The Honorable Robert P. Zeigler	Recorder of Deeds
The Honorable Alfred L. Whitcomb	Controller
The Honorable Bruce Barclay	Chairperson of the Board

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.