

# ATTESTATION ENGAGEMENT

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## Recorder of Deeds Erie County, Pennsylvania For the Period January 1, 2011 to December 31, 2014

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September 2016



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, Erie County, Pennsylvania (County Officer), for the period January 1, 2011 to December 31, 2014, 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, 2014, 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 Segregation Of Duties.
  
- Inadequate Voided Receipt Procedures.

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*.

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.

Independent Auditor's Report (Continued)

We appreciate the courtesy extended by the Recorder of Deeds, Erie 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 extending to the right.

August 18, 2016

Eugene A. DePasquale  
Auditor General

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RECORDER OF DEEDS  
ERIE COUNTY  
REALTY TRANSFER TAXES  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

Receipts:

Realty Transfer Taxes (Note 2)	\$ 20,680,266
Commissions (Note 3)	<u>(206,803)</u>
Net Receipts	20,473,463
Disbursements to Commonwealth (Note 4)	<u>(20,473,455)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	8
Examination adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2011 to December 31, 2014	<u>\$ 8</u>

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

RECORDER OF DEEDS  
 ERIE 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, 2014

Receipts:

Writ Taxes	\$	82,285
Judicial Computer System/Access To Justice Fees		<u>2,823,485</u>
Total Receipts (Note 2)		2,905,770
Commissions (Note 3)		<u>(2,469)</u>
Net Receipts		2,903,301
Disbursements to Commonwealth (Note 4)		<u>(2,903,301)</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, 2014	\$	<u>-</u>

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

RECORDER OF DEEDS  
ERIE COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

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 July 9, 2014. Effective July 10, 2014, Act 126 increased the fee to \$33.50. Effective August 8, 2014, Act 113 increased the fee to \$35.50.

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  
ERIE COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

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>\$ 20,473,455</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>\$ 2,903,301</u>
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5. Balance Due Commonwealth (County) For The Period January 1, 2011 To December 31, 2014

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

6. County Officers Serving During Examination Period

Patrick L. Fetzner served as Recorder of Deeds during the period January 1, 2011 to December 31, 2014.

RECORDER OF DEEDS  
ERIE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

**Finding No. 1 - Inadequate Segregation Of Duties**

Our examination disclosed that one employee in the office was performing the following functions:

- Balancing the cash drawer.
- Voiding receipts.
- Preparing deposit slips.
- Reconciling the bank account.
- Reconciling collections to accounting records and/or receipts.
- Summarizing accounting records.
- Preparing checks.

A good system of internal controls requires adequate segregation of duties.

In order to achieve adequate segregation of duties, one employee should not have custody of cash and at the same time maintain the accounting records for the cash. These duties should be segregated and rotated daily. As an alternative control, someone independent from maintaining the accounting records and handling cash should review the employee's work daily. The reviewer should sign and date the records and documents reviewed.

Without adequate segregation of duties, the possibility of funds being lost or misappropriated increases significantly. This condition existed because the office failed to establish and implement adequate segregation of duties.

**Recommendation**

We recommend that the office provide for greater segregation of duties. This can be done by rotating job functions that include the handling of cash and maintaining the accounting records for cash. As an alternative and/or additional control, someone independent from the handling of cash and the accounting records should review the employee's work at the end of each day. The reviewer should sign and date the records and documents reviewed.

**Management Response**

No formal response was offered at this time.

RECORDER OF DEEDS  
ERIE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

**Finding No. 2 - Inadequate Voided Receipt Procedures**

Our examination disclosed that employees are allowed to void receipts without proper supervisory review. In addition, we found that the office does not maintain supporting documentation as to the reason why the receipt was voided.

Good internal controls require that if a receipt must be voided, proper documentation be maintained to explain the reason for the void. In addition, someone independent from the transaction should review and sign documentation to ensure that the voided receipt was valid.

Without a good system of internal control over voided receipts made by the office, 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 procedures over voided receipt procedures.

**Recommendations**

We recommend that the office establish and implement an adequate system of internal controls over voided receipts as noted above. All voided receipts should have proper documentation explaining the reason for the void. In addition, someone independent of the transaction should review voided receipts to ensure that the void was necessary.

**Management Response**

No formal response was offered at this time.

RECORDER OF DEEDS  
ERIE COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

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 David Bradford, Esq.**  
Recorder of Deeds

**The Honorable Mary E. Schaaf**  
Controller

**The Honorable Andre Horton**  
Chair of County Council

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).