

ATTESTATION ENGAGEMENT

Register of Wills/
Clerk of Orphans' Court
Philadelphia County, Pennsylvania
For the Period
January 1, 2013 to June 30, 2017

August 2018



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
Facebook: Pennsylvania Auditor General
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www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We examined the accompanying statement of receipts and disbursements of the Register of Wills and attempted to examine the accompanying statement of receipts and disbursements of the Clerk of Orphans' Court, Philadelphia County, Pennsylvania (County Officer), for the period January 1, 2013 to June 30, 2017, 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 presenting the statements of receipts and disbursements for the Register of Wills/Clerk of Orphans' Court in accordance with the criteria set forth in Note 1. Our responsibility is to express an opinion on the Register of Wills Statement of Receipts and Disbursements based on our examination and to attempt to express an opinion on the Clerk of Orphans' Court Statement of Receipts and Disbursements.

Basis for and Disclaimer of Opinion - Clerk of Orphans' Court Statement of Receipts and Disbursements

As discussed in Finding No. 1, the Clerk of Orphans' Court office could not account for \$149,195 in marriage license fees. Also, there was a significant lack of internal control over receipts, marriage licenses and voided receipts. The office also did not reconcile marriage licenses issued to receipts recorded. As a result, we were unable to determine the number of receipts and marriage licenses ultimately issued. Additionally, marriage license fees were not always recorded into the computer system. Because of these material weaknesses, we could not determine whether or not the office properly collected, recorded, and remitted all monies due to the Commonwealth. We were unable to satisfy ourselves by other examination procedures; therefore, these deficiencies restricted the scope of our examination on the Clerk of Orphans' Court Statement of Receipts and Disbursements. In addition, these deficiencies resulted in missing funds of \$122,580 that went undetected by the office.

Independent Auditor's Report (Continued)

Because of the restriction on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Clerk of Orphans' Court Statement of Receipts and Disbursements for the period January 1, 2013 to June 30, 2017.

Scope and Opinion - Register of Wills Statement of Receipts and Disbursements

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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Register of Wills Statement of Receipts and Disbursements is presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the statement of receipts and disbursements for the Register of Wills. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Register of Wills Statement of Receipts and Disbursements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 Register of Wills Statement of Receipts and Disbursements referred to above, for the period January 1, 2013 to June 30, 2017, is presented in accordance with the criteria set forth in Note 1, in all material respects.

Independent Auditor's Report (Continued)

Other Reporting Required by Government Auditing Standards

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 Register of Wills/Clerk of Orphans' Court Statements of Receipts and Disbursements; 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 Register of Wills/Clerk of Orphans' Court Statements of Receipts and Disbursements. 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 and attempt to express an opinion on whether the Register of Wills Statement of Receipts and Disbursements and Clerk of Orphans' Court Statement of Receipts and Disbursements, respectively, 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 Register of Wills/Clerk of Orphans' Court Statements of Receipts and Disbursements or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control was for the limited purpose of expressing an opinion on whether the Register of Wills Statement of Receipts and Disbursements is presented in accordance with the criteria described above and attempting to express an opinion on whether the Clerk of Orphans' Court Statement of Receipts and Disbursements is presented in accordance with the criteria described above. Our consideration of internal control was not designed to identify all deficiencies in internal control 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.

Independent Auditor's Report (Continued)

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 Register of Wills/Clerk of Orphans' Court Statements of Receipts and Disbursements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies listed below to be material weaknesses:

- The Clerk Of Orphans' Court Office Could Not Account For \$149,195 In Marriage License Fees.
- Significant Lack Of Internal Control Over Receipts - Register Of Wills/Clerk Of Orphans' Court - Recurring.
- Significant Lack Of Internal Control Over The Issuance Of Marriage Licenses - Clerk Of Orphans' Court.
- Significant Lack Of Internal Control Over Voided Receipts - Register Of Wills/Clerk Of Orphans' Court.
- Inadequate Segregation Of Duties - Register Of Wills/Clerk Of Orphans' Court.
- Inadequate Internal Control Over Computer System - Register Of Wills/Clerk Of Orphans' Court.

As part of obtaining reasonable assurance about whether the Register of Wills Statement of Receipts and Disbursements and attempting to obtain reasonable assurance about whether the Clerk of Orphans' Court Statement of Receipts and Disbursements are free from material misstatement, we performed tests of the County Offices' 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 Register of Wills/Clerk of Orphans' Court Statements of Receipts and Disbursements 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*. However, if the scope of our work had been sufficient to enable us to express an opinion on the Clerk of Orphans' Court Statement of Receipts and Disbursements, instances of noncompliance or other matters may have been identified or reported herein.

Independent Auditor's Report (Continued)

The purpose of this report is to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted. This report is not suitable for any other purposes.

A copy of this examination report will be forwarded to the Pennsylvania Attorney General's Office and the Philadelphia District Attorney's Office.

We appreciate the courtesy extended by the Register of Wills/Clerk of Orphans' Court, Philadelphia 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.



Eugene A. DePasquale
Auditor General

May 24, 2018

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REGISTER OF WILLS
PHILADELPHIA COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

Receipts:

Inheritance Taxes (Note 2)	\$ 307,531,871
Disbursements and credits to Commonwealth (Note 4)	<u>(307,516,792)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	15,079
Examination adjustment (see Exhibit 1)	<u>(15,000)</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2013 to June 30, 2017	<u><u>\$ 79</u></u>

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

CLERK OF ORPHANS' COURT
 PHILADELPHIA COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2013 TO JUNE 30, 2017

Receipts:

Marriage License Taxes	\$ 22,413
Marriage License Application Surcharges	448,250
Marriage License Declaration Fees	448,250
Judicial Computer System/Access To Justice Fees	<u>939,211</u>
Total Receipts (Note 2)	1,858,124
Disbursements to Commonwealth (Note 4)	<u>(1,858,061)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	63
Examination adjustments (See Exhibit 2)	<u>34,809</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2013 to June 30, 2017	<u><u>\$ 34,872</u></u>

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

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

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.
- 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.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

2. Receipts (Continued)

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.
- Judicial Computer System/Access To Justice Fees represent a \$23.50 fee imposed on all petitions for grant of letters, and first filings 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.

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 \$1,645,812 by the Department of Revenue which is not reflected in the statement of receipts and disbursements.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

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	\$ 307,315,503
Credits issued by the Department of Revenue	201,289
Total	<u><u>\$ 307,516,792</u></u>

Clerk Of Orphans' Court

Total disbursements are comprised as follows:

Clerk of Orphans' Court checks issued to:

Department of Revenue	<u><u>\$ 1,858,061</u></u>
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5. Balance Due Commonwealth (County) For The Period January 1, 2013 To June 30, 2017

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue. The balance does not reflect adjustments disclosed by our examination. Refer to Exhibits 1 and 2.

REGISTER OF WILLS/
 CLERK OF ORPHANS' COURT
 PHILADELPHIA COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2013 TO JUNE 30, 2017

6. Reconciliation Of Settled Reports - Register of Wills

The following presents a reconciliation of monthly reports settled by the Department of Revenue for the period January 1, 2013 to June 30, 2017:

Date of Summary of Collections Report	Balance Due Settled Reports Commonwealth (County)	Adjustments	Adjusted Balance Due Commonwealth (County)
2013			
January	\$ -	\$ -	\$ -
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	2,035	-	2,035
November	(2,000)	-	(2,000)
December	-	-	-
2014			
January	-	-	-
February	45	-	45
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	50	-	50
September	-	-	-
October	1	-	1
November	-	-	-
December	-	-	-

REGISTER OF WILLS/
 CLERK OF ORPHANS' COURT
 PHILADELPHIA COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2013 TO JUNE 30, 2017

6. Reconciliation Of Settled Reports - Register of Wills (Continued)

Date of Summary of Collections Report	Balance Due Settled Reports Commonwealth (County)	Adjustments	Adjusted Balance Due Commonwealth (County)
2015			
January	\$ -	\$ -	\$ -
February	-	-	-
March	(1)	-	(1)
April	14,900	-	14,900
May	-	-	-
June	(125)	-	(125)
July	(54)	-	(54)
August	(2)	-	(2)
September	564	-	564
October	(619)	-	(619)
November	199	-	199
December	(5)	-	(5)
2016			
January	-	-	-
February	-	-	-
March	-	-	-
April	1,692	-	1,692
May	(1,601)	-	(1,601)
June	-	-	-
July	735	-	735
August	(735)	-	(735)
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-

REGISTER OF WILLS/
 CLERK OF ORPHANS' COURT
 PHILADELPHIA COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2013 TO JUNE 30, 2017

6. Reconciliation Of Settled Reports - Register of Wills (Continued)

Date of Summary of Collections Report	Balance Due Settled Reports Commonwealth (County)	Adjustments	Adjusted Balance Due Commonwealth (County)
2017			
January	\$ -	\$ -	\$ -
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
Balance due Commonwealth (County) per settled reports (Note 5)			15,079
Examination adjustments (Exhibit 1)			<u>(15,000)</u>
Adjusted balance due Commonwealth (County) for the period of January 1, 2013 to June 30, 2017			<u>\$ 79</u>

7. County Officer Serving During Examination Period

Ronald R. Donatucci, Esq. served as Register of Wills/Clerk of Orphans' Court during the period January 1, 2013 to June 30, 2017.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
EXHIBIT 1
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

Exhibit 1 - Schedule Of Reporting Errors And Examination Adjustments - Register of Wills

<u>Month</u>	<u>Year</u>	<u>Examination Adjustment</u>	<u>Explanation</u>
April	2015	\$ 15,000	The adjustment represents two receipts that were voided and not included on the Department of Revenue reports.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
EXHIBIT 2
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

Exhibit 2 - Schedule Of Reporting Errors And Examination Adjustments - Clerk of Orphans' Court

This schedule represents the Commonwealth's portion of the marriage license fees that were collected but not remitted by the office.

Month	Year	Number of Licenses	Commonwealth portion of Marriage License Fee	Total
January	2013	2	20.50	41.00
February	2013	1	20.50	20.50
March	2013	1	20.50	20.50
June	2013	2	20.50	41.00
September	2013	1	20.50	20.50
December	2013	2	20.50	41.00
2013 Total		9		\$ 184.50
January	2014	4	20.50	82.00
February	2014	3	20.50	61.50
April	2014	2	20.50	41.00
May	2014	3	20.50	61.50
June	2014	13	20.50	266.50
July	2014	10	20.50	205.00
August	2014	23	20.50	471.50
September	2014	17	20.50	348.50
October	2014	16	20.50	328.00
November	2014	13	20.50	266.50
December	2014	14	20.50	287.00
2014 Total		118		\$ 2,419.00
January	2015	4	20.50	82.00
February	2015	6	20.50	123.00
March	2015	9	20.50	184.50
April	2015	16	20.50	328.00
May	2015	16	20.50	328.00
June	2015	11	20.50	225.50
July	2015	25	20.50	512.50
August	2015	15	20.50	307.50
September	2015	21	20.50	430.50
October	2015	27	20.50	553.50
November	2015	35	20.50	717.50
December	2015	47	20.50	963.50
2015 Total		232		\$ 4,756.00

REGISTER OF WILLS/
 CLERK OF ORPHANS' COURT
 PHILADELPHIA COUNTY
 EXHIBIT 2
 FOR THE PERIOD
 JANUARY 1, 2013 TO JUNE 30, 2017

Exhibit 2 - Schedule Of Reporting Errors And Examination Adjustments - Clerk of Orphans'
 Court (Continued)

Month	Year	Number of Licenses	Commonwealth portion of Marriage License Fee	Total
January	2016	53	20.50	1,086.50
February	2016	50	20.50	1,025.00
March	2016	66	20.50	1,353.00
April	2016	69	20.50	1,414.50
May	2016	70	20.50	1,435.00
June	2016	93	20.50	1,906.50
July	2016	60	20.50	1,230.00
August	2016	104	20.50	2,132.00
September	2016	77	20.50	1,578.50
October	2016	100	20.50	2,050.00
November	2016	72	20.50	1,476.00
December	2016	88	20.50	1,804.00
2016 Total		902		\$ 18,491.00
January	2017	89	20.50	1,824.50
February	2017	72	20.50	1,476.00
March	2017	73	20.50	1,496.50
April	2017	83	20.50	1,701.50
May	2017	76	20.50	1,558.00
June	2017	44	20.50	902.00
2017 Total		437		\$ 8,958.50
Total All Years		1,698		\$ 34,809.00

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

Finding No. 1 - The Clerk Of Orphans' Court Office Could Not Account For \$149,195 In Marriage License Fees

During our testing of selected receipts for marriage license fees in the Clerk of Orphans' Court office, we found discrepancies between the amount of marriage license fees assessed and the amount recorded in the collection/payment computer system. Our examination revealed that the Clerk of Orphans' Court office could not account for \$149,195 in marriage license fees as discussed below:

- We compared marriage license computer system records to the office's collection/payment computer system to determine whether all marriage license fees were properly collected and recorded. We found that for 1,394 licenses issued, the amount of money recorded in the collection/payment computer system corresponded to a collection that was for other Clerk of Orphans' Court transactions. The amount of missing funds totaled \$122,580, of which \$28,577 was due the Commonwealth. For 1,298 of these receipts, we noted that the same computer User ID was used to process the transactions.
- We found that 14 of 527 marriage licenses had an amount recorded as collected in the collection/payment computer system that was less than the marriage license fees due. All 14 of these licenses had a valid returned marriage license on file which meant that the couple married. We found that 11 of the 14 marriage license receipts did not have a required \$20 copy fee recorded resulting in a total of \$220 in funds that was due the county. However, due to the condition of the office's records, we could not determine if these funds were actually missing. The remaining three marriage license receipts were voided. Please see last bullet on page 13 for summary of voids tested.
- Further review of marriage license fees assessed found that collections were not always recorded in the office's collection/payment computer system. We found 218 of the 277 marriage licenses had a returned Marriage License on file but no payment recorded in the collection/payment computer system. In addition, we found 12 of 277 marriage licenses that had payments recorded that were less than the amount of marriage license fees due. We determined that the fees from these licenses totaled \$18,095, of which \$4,469 was due the Commonwealth. However, due to the condition of the office's records, we could not determine if these funds were actually missing.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

Finding No. 1 - The Clerk Of Orphans' Court Office Could Not Account For \$149,195 In Marriage License Fees (Continued)

- We found instances in which the information for marriage license fees assessed on a particular license was replaced with information from a different transaction within the Clerk of Orphans' Court office. We found 87 marriage licenses in which the marriage license fees were greater than the corresponding amount recorded in the collection/payment computer system resulting in \$1,425 in unaccounted for funds. Of these 87, five marriage licenses totaled \$102.50 in fees that were due the Commonwealth. The remaining 82 had funds that were due the County. However, due to the condition of the office's records, we could not determine if these funds were actually missing. The majority of the 87 transactions were processed by the same cashier's computer User ID.
- We tested voided marriage license receipts and found instances where the original marriage license receipt numbers were voided and payments were not recorded in the offices' collection/payment computer system even though the marriage license was valid and the couple married. We found 79 of the 316 receipts that were voided and were not replaced with other Clerk of Orphans Court receipts to record payment in the office's collection/payment computer system. We also found four of 316 voided marriage license receipt numbers that were replaced with collections that were for less than the marriage license amount due. Finally, we found an additional nine voided marriage license receipts were replaced with collections that were for less than the marriage license amount due that included only county funds. We determined that these receipts totaled \$6,875 of which \$1,660.50 was due the Commonwealth. However, due to the condition of the office's records, we could not determine if these funds were actually missing.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

Finding No. 1 - The Clerk Of Orphans' Court Office Could Not Account For \$149,195 In Marriage License Fees (Continued)

The total amount of the unaccounted for funds discussed above is summarized in the following table:

TOTAL UNACCOUNTED FOR FUNDS

	Total Amount of Unaccounted for Funds	Commonwealth's Portion of the Unaccounted for Funds
1,394 Marriage Licenses receipted with other Clerk of Orphans' court transaction receipts. *	\$122,580.00	\$28,577.00
14 Marriage Licenses issued with payment recorded that was less than amount due.	\$220.00	\$0
218 Marriage Licenses issued without a payment recorded and 12 issued with payment recorded that was less than amount due.	\$18,095.00	\$4,469.00
87 Marriage License fees that were greater than receipts recorded in collection/payment computer system.	\$1,425.00	\$102.50
92 Marriage license receipts that were voided.	\$6,875.00	\$1,660.50
TOTAL	\$149,195.00	\$34,809.00

Please refer to Exhibit 2 for a breakdown of the number of marriage licenses and the associated amounts by month.

*Based on our testing, we were able to verify that these funds are actually missing.

These conditions existed because the office failed to establish and implement an adequate system of internal control over receipts, marriage licenses and voided receipts as explained in more detail in Findings Nos. 2, 3 and 4.

Because of these deficiencies, we could not determine if the office properly collected, recorded, and remitted all monies due the Commonwealth. Also, these deficiencies created an environment that is conducive to fraud.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

Finding No. 1 - The Clerk Of Orphans' Court Office Could Not Account For \$149,195 In Marriage License Fees (Continued)

Good internal accounting controls ensure that:

- All receipts, marriage licenses and voided receipts are properly accounted for and maintained.
- All collections are properly collected and recorded in the collection/payment computer system.

Without a good system of internal controls over funds received by the offices, the possibility of funds being lost or misappropriated increases significantly. The deficiencies described above contributed to missing funds totaling \$122,580.

Recommendation

We strongly recommend that the office immediately establish and implement an adequate system of internal controls over receipts, marriage licenses and voided receipts to ensure that all payments are properly recorded, deposited and remitted.

Management's Response

The County Officer responded as follows:

The Register of Wills and Clerk of Orphans' Court acknowledges that in the Auditor General's findings \$149,145 in collections were not accounted for, of which \$122,580 was found to be missing for the issuance of Marriage Licenses filed in the period of January 1, 2013 through June 30, 2017. However, the Register of Wills and Clerk of Orphans' Court would like to note its record of performance, which is supported by the remainder of the audit findings showing a total discrepancy of just \$79 in the collection of almost \$310 million in fees and Inheritance Tax collections during the same period.

REGISTER OF WILLS/
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Finding No. 1 - The Clerk Of Orphans' Court Office Could Not Account For \$149,195 In Marriage License Fees (Continued)

Management's Response (Continued)

The office is dismayed to have discovered that missing funds were associated with a USER ID in its computer system. Subsequent to the Auditor General's Exit Conference, the Register of Wills and Clerk of Orphans' Court initiated its own investigation and found that the 1,394 transactions totaling \$122,580.00 in missing funds were attributed to a specific USER ID. That USER ID was assigned to one employee in our office. All funds determined missing were associated with receipts processed by this USER ID. Through the program that was in place at that time, this USER ID manipulated receipts through a deficiency in the computer software, resulting in the missing funds. Ultimately, our office terminated the same person assigned this specific USER ID and handed all information over to the Philadelphia Inspector General's Office, the District Attorney's Office and the City of Philadelphia's Law Department as this is an ongoing investigation.

To ensure that no occurrence of this nature exists in the future the office implemented several additional safeguards last year. Among these are: 1) the Office, which had traditionally accepted cash payment as a convenience for customers, no longer accepts cash as a form of payment; 2) the implementation of a rigorous new reconciliation reporting system directly supervised by the Office's Finance Director; and 3) implementing new safeguards that prevent any employee from modifying or voiding any computer transaction record without direct approval from a supervisor. Since these safeguards were implemented in 2017, there has been no recurrence of the problem and the Register of Wills and Clerk of Orphans' Court is confident that all necessary controls and precautions are in place to ensure that there will be no recurrence of this situation.

We share in the concern of the Auditor General and are cooperating with all necessary parties to aid in the investigation to see who, and what companies, were involved that ultimately led to the missing funds. Further, we are requesting that a person associated with the specific USER ID in question be investigated for any unlawful conduct.

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Finding No. 1 - The Clerk Of Orphans' Court Office Could Not Account For \$149,195 In Marriage License Fees (Continued)

Auditor's Conclusion

We appreciate the offices' efforts to correct these issues. It is the offices' responsibility to establish and implement proper internal controls and regularly monitor those controls to provide adequate assurance that funds received by the offices are safeguarded and accounted for appropriately. This responsibility extends to the offices' computer system. Management is ultimately responsible to ensure that all appropriate safeguards are implemented in the offices' computer system to ensure that transactions cannot be altered, voided or deleted. The deficiencies in internal controls over funds received by the offices resulted in \$149,195 in unaccounted for funds.

During our next examination, we will determine if the office complied with our recommendation.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
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Finding No. 2 - Significant Lack Of Internal Control Over Receipts - Register of Wills/Clerk of Orphans' Court - Recurring

The Register of Wills office is responsible for collecting estate fees and taxes and the Clerk of Orphans' Court is responsible for collecting marriage licenses fees as well as fees associated with family court filings. Both offices utilize one collection/payment receipting system for all transactions except for state inheritance taxes. Once a customer requests a service or applies for a marriage license, the Clerk of Orphans' Court office issues a blank, hand-written, two part manual receipt. The customer takes the manual receipt to a cashier for processing of their payment into the collection/payment computer system.

During our testing of selected receipts for marriage license fees in the Clerk of Orphans' Court office, we found discrepancies between the amount of marriage license fees assessed and the amount recorded in the collection/payment computer system. Further review of receipts found that receipt numbers assigned to a particular marriage license application did not always have payments recorded in the office's collection/payment computer system. We found instances in which the information from the original marriage license receipt was replaced with information from a different transaction within the Clerk of Orphans' Court office. These different transactions were not related to marriage license fees but were for copies of orphans' court filings that resulted in a payment recorded that was either greater than or less than the amount of marriage license fees that should have been collected. (See Finding No. 3 for further information) We also found instances where the original marriage license receipt number was voided and no funds were recorded as collected for that marriage license even though the couple married (see Finding No. 4 for further information).

Our examination disclosed the following deficiencies in the internal controls over receipts:

- The office did not establish and implement formal written policies and procedures for receipt transactions.
- The office did not issue pre-numbered manual receipts. Therefore, the actual number of manual receipts issued could not be determined.
- The office did not reconcile marriage license receipts issued to the receipts recorded in the collection/payment computer system to ensure that all monies due were properly collected and recorded.
- The collection/payment computer system permits cashiers to modify receipt/payment information without supervisory review and approval. Once a receipt is voided before payment is applied, the voided receipt is not accounted for in the daily total of receipts processed. See Finding No. 4 for further detail.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
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JANUARY 1, 2013 TO JUNE 30, 2017

Finding No. 2 - Significant Lack Of Internal Control Over Receipts - Register of Wills/Clerk of Orphans' Court - Recurring (Continued)

- The cashier had the ability to hand stamp a manual receipt as paid without processing the receipt in the collection/payment computer system.
- The office issued change in cash for check and credit card payments that exceeded the actual transaction amount.
- The office cannot account for every receipt number generated by the office's collection/payment computer system. We found that the collection/payment computer system issues a receipt number prior to the acceptance of the actual fees. There are instances where the customer does not have sufficient funds or the necessary paperwork to complete the transaction. Therefore, the receipt number may not be voided but it may be retained in the computer system for an undetermined period of time. As a result, the current collection/payment computer system allows for sequential receipt number gaps in daily reporting that are not readily apparent or easily resolved.

Because of these issues, we were unable to determine if the offices properly collected, recorded, and remitted all monies due to the Commonwealth for all transactions except for state inheritance taxes. The Register of Wills office maintains a separate computer system for the receipting and disbursement of the state inheritance taxes.

A good system of internal controls ensures that:

- Formal written policies and procedures are established and implemented to ensure all funds collected are properly assessed, collected and remitted to the applicable agencies.
- Manual receipts are sequentially numbered. All receipts are issued in sequential order and they are properly accounted for and maintained.
- All issued receipts are reconciled to marriage licenses issued by supervisory personnel.
- Receipts cannot be modified or voided without supervisory review and approval.
- All voided receipts are accounted for and retained.

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Finding No. 2 - Significant Lack Of Internal Control Over Receipts - Register of Wills/Clerk of Orphans' Court - Recurring (Continued)

- Manual receipts are not hand stamped as paid. They should be stamped by the computer after they are processed for payment.
- Change should not be given for transactions paid for by checks or credit cards. If the amount collected exceeds the amount due, a refund check should be disbursed to the remitter.
- All receipts are properly recorded in the collection/payment computer system. The computer system should retain a list of all receipts and documentation regarding payment, modification and voiding in order to ensure an adequate audit trail.

Without a good system of internal controls over funds received by the offices, the possibility of funds being lost or misappropriated increases significantly. The deficiencies described above contributed to missing funds totaling \$122,580. See Finding No. 1 for further information.

Recommendations

We strongly recommend that the office immediately establish and implement an adequate system of internal controls over receipts as noted above. It is imperative that the office maintain adequate control over receipts in order to minimize the possibility of loss or theft of funds.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
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Finding No. 2 - Significant Lack Of Internal Control Over Receipts - Register of Wills/Clerk of Orphans' Court - Recurring (Continued)

Management's Response

The County Officer responded as follows:

In Finding No. 2, as it pertains to the Orphan's Court Division, we have found that all missing funds can be attributed to a specific Computer USER ID that manipulated a deficiency in our computer system. A person associated with this USER ID was immediately terminated and we have provided necessary information to The Inspector General, The District Attorney, and The Philadelphia Law Department for further investigation. Let us reiterate that the Register of Wills and Orphans' Court has taken all necessary steps to ensure there can be no future occurrences of this nature.

It must be noted that the volume of transactions occurring in these departments is significantly greater than any county in the Commonwealth. At times, the frequency of applicants changing the desired type of license they were applying for created increased demand for receipt modifications (i.e. Regular Licenses, Quaker Licenses and Military License discounts). Upon further consideration, the system has been updated to place full restrictions on a cashier and clerk's ability to alter receipts. The office no longer accepts cash transactions, no longer offers cash reimbursement to any patron regardless of circumstance, and strictly prohibits the use of manual stamping for any receipt, which must be transacted through the computer receipt validator.

We acknowledge that in these findings the Register of Wills Department did occasionally provide change in the form of cash for overpayments from checks and money orders, specifically to senior citizens and fixed income patrons. A seldom occurrence that was only intended to help persons with limited resources. To be clear, even prior to the completion of this report, the Register of Wills and Orphans' Court discontinued the use of cash for any transaction.

Let us emphasize that at the end of each business day, our Finance Director reconciled all receipts and verified the daily audit of receipts aligned with the total daily deposit. The Register of Wills and Clerk of Orphans' Court is gravely disappointed that funds were identified as missing and has met this directly and remedied it as quickly as it was presented. Ultimately, additional daily reconciliation procedures have been set forth and increased safeguards have been placed to limit modifications and voids of receipts in our computer system to ensure no future occurrences of this nature.

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Finding No. 2 - Significant Lack Of Internal Control Over Receipts - Register of Wills/Clerk of Orphans' Court - Recurring (Continued)

Auditor's Conclusion

We appreciate the offices' efforts to correct these issues. The issue with receipts and the offices' computer system was a finding in the offices' prior examination report that was released on June 26, 2014, but the offices failed to correct the issues. The offices are ultimately responsible for ensuring that all adequate internal controls are established and implemented over all office functions, including the computer system and its software. We acknowledge that the finance director reconciled the recorded amount of cash, check and credit card totals each business day to receipts recorded in the collection/payment computer system. However, this person did not reconcile marriage license receipts issued to the receipts recorded in the collection/payment computer system to ensure that all monies due were properly collected and recorded. Had the offices completed this type of reconciliation, the missing funds likely would have been detected soon after occurrence.

During our next examination, we will determine if the office complied with our recommendations.

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Finding No. 3 - Significant Lack of Internal Control Over the Issuances of Marriage Licenses - Clerk of the Orphans' Court

The Clerk of Orphan's Court office is responsible for the issuance of marriage licenses. The office maintains one computer system for issuing marriage licenses and a separate computer system for the collection/payment of all Clerk of Orphans' Court transactions, including fees paid for a marriage license.

All applicants for a marriage license must appear in person at the Clerk of Orphan's Court Office and pay the license fees when applying for a marriage license. A marriage license clerk completes a marriage license application for the couple in the marriage license computer system. Once the application is reviewed and approved by the marriage license clerk and the applicants, a receipt number from the collection/payment computer system is assigned to the marriage license record in the marriage license computer system along with all applicable fees due. This computer generated receipt number is hand written on a blank, two part manual receipt by the marriage license clerk along with the fees due for the marriage license. The clerk hands the receipt to the applicants who take it to the Clerk of Orphan's Court cashier for processing the payment in the collection/payment computer system. It was the Clerk of Orphans' Court policy to only accept cash for marriage license fees. As of June 2017, the office no longer accepts cash payments.

Our examination disclosed that there was a significant lack of internal controls over the issuance of marriage licenses. As discussed in Finding No. 2, we found discrepancies between the amount of marriage license fees assessed and the amount recorded in the collection/payment computer system. We also found a large quantity of marriage license numbers that were generated by the marriage license computer system that appeared to be generated in error. Therefore, we could not account for or attest to the actual number of marriage licenses issued during the examination period.

We examined the marriage license data from the office's marriage license computer system and found that there was a range of 69,176 marriage license numbers generated by the computer system during our examination period. Our examination revealed the following discrepancies:

- Of the 69,176 marriage license numbers generated during our examination period, we found 23,682 marriage licenses numbers that appeared to be generated in error as there was no additional information associated with those numbers in the data provided by the office. We found large groups of marriage license numbers totaling 23,101 numbers and small groups of marriage license numbers totaling 581 license numbers that appeared to be generated in error.

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Finding No. 3 - Significant Lack of Internal Control Over the Issuances of Marriage Licenses - Clerk of Orphans' Court (Continued)

- Of the 23,101 large group of marriage license numbers that appeared to be generated in error:
 - We found that 22,571 of the 23,101 marriage license numbers were not recorded as issued in the Marriage License computer system. None of these marriage licenses were found in the marriage license computer system and there was no returned marriage license on file.
 - We found three of the 23,101 marriage license numbers that were not generated in error but were recorded as issued in the Clerk of Orphans' Court Marriage License System:
 - One of the three marriage licenses was dated July 12, 2013 and had a corresponding receipt dated January 28, 2011. However, the office did not have a valid returned marriage license on file.
 - Another marriage license did not have information regarding the couple applying for the license or fees assessed in the marriage license system, but there was a valid returned marriage license on file which indicates that the couple got married.
 - The final marriage license had a license number recorded but did not have information regarding the couple or fees assessed in the marriage license system and there was no returned marriage license on file.
 - We found that the remaining 527 of 23,101 marriage license numbers that appeared to be generated in error were associated with collections recorded in January 2015. A separate file of these marriage licenses numbers was provided by the Clerk of Orphans' Court office. Of these 527 marriage license numbers, we noted that 526 licenses were actually issued as follows:
 - Fourteen of the 527 marriage license numbers had an amount recorded as collected in the collection/payment computer system that was less than the marriage license fees due.
 - The remaining 512 marriage license numbers were legitimate licenses that were issued by the office.

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Finding No. 3 - Significant Lack of Internal Control Over the Issuances of Marriage Licenses - Clerk of Orphans' Court (Continued)

Of the remaining 581 small group of marriage licenses numbers that appeared to be generated in error, we found 51 marriage license numbers that were not recorded as issued in the Marriage License computer system. None of these marriage licenses were found in the marriage license computer system and there was no returned marriage license on file.

- The remaining 530 of the 581 marriage license numbers were marriage licenses that were recorded as issued in the marriage license computer system. However, further review found that none of these marriage licenses had a receipt number assigned to the license in the marriage license computer system. See Finding No. 2 for further details.
 - We found that 277 of 530 marriage license numbers had payments recorded in the collection/payment computer system that were less than the total marriage licenses fees due.
 - We found that 47 of 277 marriage license numbers did not have a returned marriage license on file and therefore we could not determine if monies associated with these licenses totaling \$3,680 were collected.
 - We found that 218 of the 277 marriage license numbers had a returned marriage license on file but no payment recorded in the collection/payment computer system. The remaining 12 marriage licenses had payments recorded that were less than the amount of marriage license fees due. See Finding No. 1 for the amount of unaccounted for funds.
 - The remaining 253 of 530 marriage license numbers had payments recorded in the collection/payment computer system that were the same or greater than the total marriage licenses fees due.

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Finding No. 3 - Significant Lack of Internal Control Over the Issuances of Marriage Licenses - Clerk of Orphans' Court (Continued)

A good system of internal controls ensures that:

- All marriage licenses and associated receipts are issued in sequential order and are accounted for and maintained by the office.
- All marriage licenses are properly receipted for the full amount of the marriage license fees.
- Receipt information cannot be modified. If there are changes to be made to the receipt, the receipt should be voided and reentered into the system with supervisory approval.

Without a good system of internal control over marriage licenses and the associated receipts, the possibility of funds being lost or misappropriated increases significantly. The deficiencies described above contributed to an environment that is conducive to fraud and resulted in missing funds totaling \$122,580. See Finding No. 1 for further information.

Recommendations

We strongly recommend that the office immediately establish and implement an adequate system of internal controls over marriage licenses and the associated receipts. It is imperative that the office maintain adequate control over marriage licenses in order to minimize the possibility of loss or theft of funds.

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Finding No. 3 - Significant Lack of Internal Control Over the Issuances of Marriage Licenses - Clerk of Orphans' Court (Continued)

Management's Response

The County Officer responded as follows:

The Clerk of Orphans' Court's determined that 46,530 Licenses had numbers and applications, meaning the large majority are valid licenses. The range of 69,176 cited does not represent actual licenses as many of these numbers were generated in error by inconsistencies in our computer system (as is addressed in Finding No. 6). Of the 46,530 licenses, 1,394 of those licenses were issued with receipts that corresponded to other Clerk of Orphans' Court transactions and are all specific to a single USER ID, ultimately leading to missing funds.

The remaining approximately 300 licenses may be attributed to irregularities in our computer system, which we are continuing to investigate. This system had instances of altering recorded licenses numbers by adding a "1" to the beginning of the license, such as license #90351 becoming License #190351, and in which collection was made on the correct license number. The system had instances of dropping a number, such as license #137319 becoming license #17319, where the latter was associated with the fees paid, even though the original number was the valid number. Additionally, instances of inverting two numbers of the marriage license, such as license #178957 becoming license #187957, in which a collection was in fact made for the correct license. Instances where the system affixed a different license number to a valid record such as license #180201 becoming license #190201, where again, the full collection was made on the correct license. In this analysis, we have been able to provide physical receipts and receipt numbers in our computer system that verify these licenses were in fact paid for.

The control for a Marriage License provides that a couple applies for a license, pays for the license when applying, at which point the license is issued. However, various scenarios could prevent a couple from completing the application or the payment. In these situations, the control is to void the receipt until payment can be made or the application can be completed. This control adequately managed the issuance of Marriage Licenses until the process was manipulated by a single computer USER.

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Finding No. 3 - Significant Lack of Internal Control Over the Issuances of Marriage Licenses - Clerk of Orphans' Court (Continued)

Management's Response (Continued)

The Commonwealth can verify that at a minimum, 44,825 licenses had collections from the Clerk of Orphans' Court Monthly Report form REV-713. 44,825 licenses with Commonwealth fees of \$20.50 per license, resulted in \$918,912.50 in collections for the period assessed, all of which was turned over to the Commonwealth. It is our belief that there was misconduct associated with a specific USER ID and ultimately led to discrepancies in the issuance of licenses.

However, this office does not believe that it has an environment conducive to fraud. In fact, the office made significant efforts to provide sufficient information for authorities to investigate funds found to be missing. The discrepancy in the issuance of licenses can be attributed to a single USER ID finding a deficiency in our software application, ultimately misusing the program for its intended purposes. Our office immediately addressed the lacking safeguard as soon as it was identified. Subsequently, the software was updated to program the necessary safeguards to secure the program.

Auditor's Conclusion

It is the offices' responsibility to establish and implement proper internal controls and regularly monitor those controls to provide adequate assurance that funds received by the offices are safeguarded and accounted for appropriately. This responsibility extends to the offices' computer system. Management is ultimately responsible to ensure that all appropriate safeguards are implemented in the offices' computer system. The offices acknowledge that their controls over the issuance of marriage licenses were inadequate but the offices do not believe that it has an environment conducive to fraud. An environment conducive to fraud exists when there is a set of circumstances that allows missing funds to occur and go undetected. The offices' computer system deficiencies, along with the other internal control deficiencies noted in this report, allowed for the missing funds to occur until the time of our examination, and therefore there was an environment conducive to fraud. Once again, had the offices completed the appropriate monitoring, these issues would have been found prior to our examination.

During our next examination, we will determine if the office complied with our recommendations.

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Finding No. 4 - Significant Lack of Internal Control Over Voided Receipts - Register of Wills/Clerk of Orphans' Court

The Register of Wills/Clerk of Orphans' Court had a significant lack of internal controls over voided marriage license receipt numbers. We tested voided marriage license receipt numbers and found instances where the original marriage license receipt numbers were voided and payments were not recorded in the offices' collection/payment computer system even though the marriage license was valid and the couple married. We also found instances where the original marriage license receipt number was voided and replaced with a collection that was from another Clerk of Orphans' Court transaction. The payment applied to the marriage license receipt numbers was less than the marriage license fees due. In addition, we found that cashiers had the ability to void marriage license receipt numbers without supervisory review and approval. Our testing of the 316 voided marriage license receipts revealed the following deficiencies:

- We found 79 of the 316 voided marriage license receipt numbers that were voided and not replaced with other Clerk of Orphans Court collections to record payment in the office's collection/payment computer system. See Finding No. 1 for the amount of unaccounted for funds.
- We found 38 of 316 marriage license receipt numbers that were voided and we could not find that the transaction had a payment processed in the office's collection/payment computer system. For all 38 voided marriage license receipt numbers totaling \$2,840, we could not determine if these were legitimate voids since there was no returned marriage license on file and four of these receipt numbers did not have any applicant information on the original marriage license receipt.
- We found four of the 316 voided marriage license receipt numbers totaling \$210 that were replaced with a receipt from another collection within the Clerk of Orphans' Court office. The receipts issued to replace the voided marriage license receipt numbers totaled less than the amount of the marriage license fees due. We could not determine if these were legitimate voids since the replacement receipt did not indicate the marriage license number.
- We found nine of the 316 voided marriage license receipt numbers that were voided and replaced with collections that were for less than the amount due for the marriage license. All unaccounted for funds were due the County.

The remaining 186 voided marriage license receipt numbers were voided appropriately.

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Finding No. 4 - Significant Lack of Control Over Voided Receipts - Register of Wills/Clerk of Orphans' Court (Continued)

In addition, we found the following deficiencies over voided marriage license receipt numbers:

- The offices did not establish and implement voided receipt procedures.
- The collection/payment computer system permits the cashiers to void marriage license receipt numbers without applying payment first. Once the marriage license receipt number is voided, the voided marriage license receipt number is not accounted for in the daily total of receipts processed.
- A void can be completed without supervisory review and approval.
- Management did not verify that all voided marriage license receipt numbers were properly accounted for and documented.
- The reason why the receipts were voided wasn't always documented.
- The office did not maintain a record of all voided receipts. Beginning April, 2014, both offices maintained a voided receipt log book. However, the log books did not always contain the date of the void, the reason for the void, or the replacement receipt number. In addition, the number of voids recorded in the log books did not always agree with the number of voids recorded in the collection/payment computer system.

Good internal accounting controls require that:

- Adequate policies and procedures are established and implemented to ensure all voided receipts are properly accounted for and maintained.
- All voided receipts are properly recorded and retained to ensure an adequate audit trail.
- Voided receipts are reviewed and approved by someone other than the person voiding the receipt to ensure that they are appropriate.
- All voided transactions are reconciled daily to ensure the accuracy of funds collected and recorded.
- The reason for the void is properly documented.

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Finding No. 4 - Significant Lack of Control Over Voided Receipts - Register of Wills/Clerk of Orphans' Court (Continued)

- All voided transactions are properly documented in the log book including the date of the void, the reason for the void, the replacement receipt number and the name of the person who voided the transaction.

Without a good system of internal control over voided receipts, the possibility increases that funds could be lost, stolen, or misappropriated. The deficiencies described above contributed to an environment that is conducive to fraud and resulted in missing funds totaling \$122,580. See Finding No. 1 for further information.

These conditions existed because the office failed to establish and implement adequate internal controls over its voided receipt procedures.

Recommendation

We recommend that the office immediately establish and implement an adequate system of internal controls over voided receipts as noted above.

Management's Response

The County Officer responded as follows:

Though sample testing of voided marriage license receipt numbers presented times where auditors could not always find a receipt associated with a valid license number, this may be attributed to licenses where the applicant changes a request for type of license, i.e. Regular or Quaker, as well as being entitled to Military Discounts and not presenting that information until after the receipt has been prepared. Ultimately that receipt is voided so that correct payment [can] be collected. And still, receipt voids most often occur when a couple is not prepared to pay for a license after all information is entered into the computer system and payment is required. It is standard practice for the receipt associated with the license application to be voided until a time when the couple is prepared with payment. At that time, a new receipt is generated and payment is accepted. The control of the office is to associate a receipt number with the correct license number in the computer database.

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Finding No. 4 - Significant Lack of Control Over Voided Receipts - Register of Wills/Clerk of Orphans' Court (Continued)

Management's Response (Continued)

Of note is the reality that the volume of marriage licenses in Philadelphia far exceeds any other county in the Commonwealth of Pennsylvania. The Register of Wills and Orphans' Court Division takes great efforts to provide outstanding service to the City of Philadelphia, its citizens and all those requiring the services of these offices. The Orphans' Court has 87 different types of transactions that can occur at any given moment and may process 250 transactions in any given day. Due to the volume of transactions, and trying to assist all customers with time restrictions, sometimes a receipt number is not internally fixed to the license application record, still, fees are collected. Moreover, we do not believe that an environment conducive to fraud exists, as funds that were not correctly collected can be attributed to a single USER ID and a deficiency in the security of our computer software application.

Procedures do exist for the physical maintenance of voided receipts, as well as a manual log, in which all voided receipt numbers are accounted for on a specific date, an explanation for the void, and initialed by the employee. To improve control over voided receipts, our computer system now has increased security restrictions that prevent cashiers and clerks from voiding or manipulating receipts, which can only be accomplished through correct supervisory channels. The Register of Wills and Orphans' Court has worked towards implementing all recommendations set forth in the report of the Auditor General's Office. Our office treats all potential inadequacies with great urgency and wishes to make note that it has operated for almost four decades with minimal inadequacies for its voided receipt management.

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Finding No. 4 - Significant Lack of Control Over Voided Receipts - Register of Wills/Clerk of Orphans' Court (Continued)

Auditor's Conclusion

We appreciate the offices' efforts to correct these issues. The offices are ultimately responsible for ensuring that all adequate internal controls are established and implemented over all office functions, including the computer system and its software. Regarding the issue of voided receipts, the collection/payment computer system did not maintain a record of all voided receipts. Since the offices use one collection/payment receipting system for all transactions except for state inheritance taxes, this issue applies to both offices. We found that the offices did not maintain a record of all voided receipts. Beginning April 2014, both offices maintained a voided receipt log book. However, the log books did not always contain the date of the void, the reason for the void, or the replacement receipt number. In addition, the number of voids recorded in the log books did not always agree with the number of voids recorded in the collection/payment computer system. As mentioned above, the deficiencies in internal controls over voided receipts contributed to the \$149,195 in unaccounted for funds.

Relative to the offices' statement that it does not believe that an environment conducive to fraud exists, an environment conducive to fraud exists when an entity's procedures allow funds to be misappropriated and remain undetected. Although collusion among employees could circumvent strong internal controls, in this instance, there is no evidence or indication that the employee whose USER ID was used colluded with other employees. The offices' computer system deficiencies over voided receipts, along with the other internal control deficiencies noted in this report, allowed for the missing funds to occur until the time of our examination, and therefore there was an environment conducive to fraud.

During our next examination, we will determine if the office complied with our recommendation.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
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FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

Finding No. 5 - Inadequate Segregation Of Duties - Register of Wills/Clerk of Orphans' Court

During our examination we noted that there was inadequate segregation of duties within the offices. The financial officer is responsible for:

- Summarizing accounting records.
- Reconciling collections to accounting records and/or receipts.
- Reconciling the bank statement.
- Preparing deposit slips.
- Making the deposit.
- Reconciling validated deposit slip to accounting records as to mix of cash and checks.
- Posting disbursements to the disbursement journal.
- 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. In addition, the financial officer should perform a reconciliation of all receipts issued to all transactions processed, including marriage licenses, on a daily basis to ensure that all funds were properly collected and recorded.

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Finding No. 5 - Inadequate Segregation Of Duties - Register of Wills/Clerk of Orphans' Court (Continued)

This condition existed because the offices did not establish and implement adequate segregation of duties.

Recommendations

We recommend that the offices provide for greater segregation of duties within the office. This can be done by cross-training personnel and rotating job functions that include the handling of cash and maintaining the accounting records for the 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's Response

The County Officer responded as follows:

In consideration of the examiner's findings, the Register of Wills and Clerk of Orphans' Court has taken immediate action to resolve the inadequacy in the segregation of duties for its financial management. As the auditor's examination concluded, the office has imposed new requirements for its finance team to create better accounting records and a clearer audit trail. The office has added an additional employee to assist with daily financial duties and to provide additional support in the examination of monthly report reconciliations. Because the Register of Wills and Orphans' Court removed all cash payments from its offices, the recommendations by the auditor pertaining to cash transactions are acknowledged but no longer a feature of the office's controls. The Register of Wills and Clerk of Orphans' Court is now able to ensure greater oversight reconciling its receipts issued for all transactions, especially those in the Marriage License department.

REGISTER OF WILLS/
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Finding No. 5 - Inadequate Segregation Of Duties - Register of Wills/Clerk of Orphans' Court (Continued)

Management's Response (Continued)

With the office's transition to a more advanced computer software application, it has chosen two individuals with great computer literacy to oversee its controls over financial management. The Register of Wills and Orphans' Court Division has implemented a new system for increased scrutiny as it pertains to the reconciliation of bank statements. The office now tasks two individuals with preparing separate reports that are paralleled with one another to verify accuracy. The financial officer no longer prepares checks but reviews the checks prepared by an accounting supervisor based on reports reconciled by both parties. A ledger is kept by both parties and bank reconciliations are ultimately prepared by the financial officer. Each individual maintains a book balance that is reconciled at the end of the month and evaluated for accuracy. These parties reconcile daily receipts with transactions for the separate departments of the office. Deposits are prepared by the financial officer and the accounting supervisor, all of which no longer include any cash deposits. The Register of Wills and Clerk of Orphans' Court no longer accepts cash for any transaction. The only accepted forms of payment are money order, attorney's check, and credit card, which is deposited directly through its merchant. These deposits are then logged daily and are reconciled with bank statements monthly.

The Register of Wills and Clerk of Orphans' Court is confident that with new procedures in place all funds, deposits, reports and reconciliations are adequately accounted for. With this new system, the controls of the office can be verified as sufficient to provide clean audit trails and will allow for greater transparency for future auditors. This office thanks the team of auditors from the Commonwealth of Pennsylvania for their recommendations and will look forward to continued cooperation of both parties for the most successful outcome possible during audit periods.

Auditor's Conclusion

We appreciate the offices' efforts to correct these issues. During our next examination, we will determine if the office complied with our recommendations.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
FINDINGS AND RECOMMENDATIONS
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JANUARY 1, 2013 TO JUNE 30, 2017

Finding No. 6 - Inadequate Internal Control Over Computer Systems - Register of Wills/Clerk of Orphans' Court

The Clerk of Orphan's Court office maintains one computer system for issuing marriage licenses and a separate computer system for the collection/payment of all Clerk of Orphans' Court transactions, including fees paid for a marriage license. The Register of Wills office maintains a separate collection/payment computer system for all transactions except for state inheritance taxes. Both offices' collection/payment computer systems assign receipt numbers to transactions from the same pool of sequentially numbered receipts.

During our examination, we found that there were a number of deficiencies in the computer systems that failed to provide the offices with proper internal control over office data and did not generate a sufficient examination trail. Partly due to these weaknesses, as discussed in Finding No. 1, the office could not account for \$149,195 in marriage licenses fees. The following weaknesses were noted:

Clerk of Orphans' Court - Marriage License computer system:

- The office provided us with computer generated reports for the number of marriage licenses that were issued. Our review of these reports found that there were gaps in the sequence of licenses issued. The office could not provide us with an explanation as to why there were gaps in the number of licenses issued. See Finding No. 3 for further explanation.
- The marriage license computer system automatically assigns a receipt number to each marriage license record prior to payment being made.
- Receipt numbers are sometimes missing from the marriage license record in the marriage license computer system.
- The collection/payment computer system permits the cashiers to void receipts without applying payment first. In addition, the void can be completed without supervisory review and approval. Once the receipt is voided, it's not accounted for in the daily total of receipts processed. See Finding No. 4 for further information.

REGISTER OF WILLS/
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Finding No. 6 - Inadequate Internal Controls Over Computer System - Register of Wills/Clerk of Orphans' Court (Continued)

Register of Wills/Clerk of Orphans' Court - collection/payment computer system:

- Receipts assigned to a transaction can remain open in the collection/payment computer system indefinitely.
- The collection/payment computer system allows a cashier to modify receipt information without supervisory approval.
- The total number of wills and administration cases processed in the collection/payment computer system each day was not accurate.
- Not all probate filings have a receipt number recorded in the payment/collection computer system.

A good system of internal controls requires that:

- All marriage licenses and receipt numbers are issued in sequential order and are accounted for and maintained by the office.
- All issued marriage licenses and receipt numbers are reconciled by supervisory personnel.
- All voided receipts are properly accounted for and maintained.
- Receipts cannot be modified or voided without supervisory review and approval.
- All marriage license receipt numbers are properly recorded in the collection/payment computer system. The computer system should retain a list of all receipt numbers and documentation regarding payment, modification and voiding in order to ensure an adequate audit trail.

These conditions existed because the County failed to establish adequate internal controls over its computer system.

Recommendation

We recommend that the office establish and implement an adequate system of internal controls over the computer system.

REGISTER OF WILLS/
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FINDINGS AND RECOMMENDATIONS
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Finding No. 6 - Inadequate Internal Controls Over Computer System - Register of Wills/Clerk of Orphans' Court (Continued)

Management's Response

The County Officer responded as follows:

As discussed in early findings, a specific USER ID was associated with misuse of a deficiency in our office's computer system leading to an incomplete collection of marriage license fees. A person associated with that USER ID was immediately terminated and the office has since updated the application to increase security measures in the software that prevents user modifications without having a necessary supervisory clearance level. We feel very confident that this update has secured our computer system from future misuse, which is described in further detail in findings No. 1 - No. 4.

In addressing the portion of this finding as it pertains to gaps in number sequence in our marriage licenses, we found instances when the system occasionally skipped entire number series when generating a license number. For instance, in 2013, license numbers were generated sequentially ending with license number 140426. Upon the next license application, the number associated with that license was 142845. A difference in 2,419 license numbers. At first glance there might be an assumption that 2,419 licenses could not be unaccounted for. The reality is that the computer system inexplicably skipped that entire series of numbers, and therefore no licenses were issued and no fees due. Again, in 2014, licenses were issued sequentially until license number 148498, at which point the system jumped to number 157170, then 160345, and 164881. Thereafter it resumed issuing sequential license numbers, resulting in a gap of 16,381 numbers without license applications and no fees due.

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Finding No. 6 - Inadequate Internal Controls Over Computer System - Register of Wills/Clerk of Orphans' Court (Continued)

Management's Response (Continued)

We brought this information to the software developer, who ultimately identified the weakness and reprogramed that portion of the system. This can be verified by the fact that in 2015 the range in licenses issued was from license number 175,288 to 185,507, a difference of 10,219. In that same year, we had 10,206 licenses that had applications, a difference of 13 license numbers, of which the remainder can be accounted for through applicants who changed their mind or applications that were deleted due to error. Again, in 2016, the range of license numbers ran from 185,508 to 196,512, a difference of 11,004 numbers, of which 10,978 had information associated with them. Only 26 license numbers were unaccounted for, which again can be the result of applicants who changed their mind or applications with errors that needed deletion. It can be concluded that while our computer system initially had inadequate control over the generation of license numbers, this was rectified as of 2015 and has consistently remained that way. We believe that this finding is representative of the software development process; which occasionally presents inconsistencies that need to be addressed when identified. Our office has made every effort to seek these weaknesses out and address them immediately upon discovery.

This report identified that a cashier had the ability to void receipts without applying payment first as well as having marriage license records without a receipt number. Again, many of these instances are attributed to a specific USER ID and receipts associated with that USER ID. Per a cashier's ability to void a receipt without payment, this was true for the purposes of voiding receipts listing incorrect amounts due. Our controls for any voided receipt require the individual to note the receipt void in our log of receipt number voids, date, and reason for void, as well as, maintaining a physical copy of the voided receipt. It can be verified that all necessary safeguards have been placed to expressly prohibit the cashier's ability to void or modify a receipt and now all voids require supervisory approval.

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Finding No. 6 - Inadequate Internal Controls Over Computer System - Register of Wills/Clerk of Orphans' Court (Continued)

Management's Response (Continued)

Additional portions of this finding address payment associated with total number of will and administration filings. The finding further determined that “not all probate filings have a receipt number recorded in the payment system.” Will and Administration applications are not completed and assigned a file number until payment is satisfied, which is then processed through our computer validator. Many scenarios present themselves where a record is initiated but not ready for completion and therefore the applicant may choose not to make payment until the necessary information can be obtained to complete the probate filing. Alternatively, instances exist where all information is submitted but the applicant cannot satisfy payment and no collection is made despite a pending record existing in the computer system. In both instances a record exists, but no record number is associated with that record until the necessary information is submitted and payment satisfied, and therefore no probate paperwork is issued. Lastly, cases exist where a petition is initiated, payment is collected, and a receipt number is associated with the probate record. However, the file is not issued a record number because a piece of information may still be lacking in the petition. In this example, a record exists and payment is satisfied, but a record number is not yet created and therefore would not lend itself to reconciling total payments with record numbers in each year. A complete analysis would verify this system of testing.

Occasionally, when attempting to complete a probate filing a petitioner will come back to the office to make payment. If a receipt was never made or at some point voided and a new receipt must be generated, a rare occurrence exists in which the receipt number does not get linked to the computer probate record, despite fees being collected. These instances are uncommon but our control is still to always process the petition through our receipt validator so that the physical petition has a receipt associated with it and can verify that fees were paid. Reviewing a physical record in question will always provide a receipt number, amount, and date paid on all petitions. We are certain that we can verify that all probate records granting Letters Testamentary and Letters of Administration have fees paid and receipt numbers to support that collection.

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Finding No. 6 - Inadequate Internal Controls Over Computer System - Register of Wills/Clerk of Orphans' Court (Continued)

Management's Response (Continued)

Lastly, petitioning for probate can be complex and a petitioner may intend to begin a probate filing in our office, but upon realizing the intricacy involved in Testamentary and Administration filings, may decide not to complete the process. These situations are somewhat regular. Given our office's dedication to public service, we still make all efforts to assist these individuals. However, ultimately the file is never finalized and no payment due. A pending record with no probate number will exist indefinitely in our computer system containing the initial information provided. Most often the petitioner does not return. Therefore, the file remains dormant in our computer system with no probate file number associated with it, which is only referenced by first and last name of the decedent. Should the petitioner return, we will have that partially completed file in our computer system, as well as a physical version of said file. At that point, we can complete the filing, collect payment, and issue a probate file number. Once again, in any of these instances, we can account for all transactions in relation to Testamentary and Administration files in which Letters are formally granted.

Auditor's Conclusion

During our examination, we found that there were a number of deficiencies in the computer systems that failed to provide the offices with proper internal control over office data and did not generate a sufficient examination trail. Partly due to these weaknesses, the office could not account for \$149,195 in marriage licenses fees. These issues permitted an environment conducive to fraud to exist and allowed for missing funds to occur and go undetected.

As stated previously, it is the offices' responsibility to establish and implement proper internal controls and regularly monitor those controls to provide adequate assurance that funds received by the offices are safeguarded and accounted for appropriately. This responsibility extends to the offices' computer system. Management is ultimately responsible to ensure that all appropriate safeguards are implemented in the offices' computer system to ensure that transactions cannot be altered, voided or deleted.

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Finding No. 6 - Inadequate Internal Controls Over Computer System - Register of Wills/Clerk of Orphans' Court (Continued)

Auditor's Conclusion (Continued)

The offices stated that “a rare occurrence exists in which the receipt number does not get linked to the computer probate record, despite fees being collected. These instances are uncommon but our control is still to always process the petition through our receipt validator so that the physical petition has a receipt associated with it and can verify that fees were paid. Reviewing a physical record in question will always provide a receipt number, amount, and date paid on all petitions.” We reviewed the physical record for the probate files tested and found that the records did not always have a receipt present in the actual record. Once again, as stated previously, the offices are ultimately responsible for ensuring that all adequate internal controls are established and implemented over all office functions, including the marriage license and collection/payment computer systems and its software.

During our next examination, we will determine if the office complied with our recommendation.

REGISTER OF WILLS/
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PHILADELPHIA COUNTY
SUMMARY OF PRIOR EXAMINATION RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

Summary Of Prior Examination Recommendation

During our prior examination, we recommended that the office:

- Establish and implement an adequate system of internal controls over receipts.

Our current examination disclosed that the office did not comply with our bulleted recommendation. Please see the current year Finding No. 2 for additional information.

REGISTER OF WILLS/
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PHILADELPHIA COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2013 TO JUNE 30, 2017

This report was initially distributed to:

The Honorable C. Daniel Hassell
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 Ronald R. Donatucci, Esq.
Register of Wills/Clerk of Orphans' Court

The Honorable Rebecca Rhynhart
Controller

The Honorable Darrel L. Clarke
President of City Council

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