



**REGISTER OF WILLS/
CLERK OF ORPHANS' COURT**

DELAWARE COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2009 TO DECEMBER 31, 2012

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Daniel P. Meuser
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have examined the accompanying statements of receipts and disbursements (Statements) of the Register of Wills/Clerk of Orphans' Court, Delaware County, Pennsylvania (County Officer), for the period January 1, 2009 to December 31, 2012, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d). These Statements are the responsibility of the county office's management. Our responsibility is to express an opinion on these Statements based on our examination.

Except as discussed in the fourth paragraph, 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. An examination includes 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*.

Independent Auditor's Report (Continued)

As discussed in Finding No. 2, receipts were missing and not available for the examination. Without these receipts, we could not perform our standard examination procedures. As a result, the scope of our examination of the County Officer's Statements was limited, and we were unable to satisfy ourselves by other examination procedures,

In our opinion, except for the effects, if any, of the matters noted in the preceding paragraph, 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, 2009 to December 31, 2012, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Statements and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. 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 the internal control over reporting on the Statements or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County Officer's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the County Officer's Statements that is more than inconsequential will not be prevented or detected by the County Officer's internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over the reporting on the Statements:

- Misappropriation Of Commonwealth Funds Of At Least \$10,842.
- Inadequate Internal Controls Over Receipts - Register Of Wills - Recurring.
- Inadequate Segregation Of Duties.
- Inadequate Internal Controls Over The Bank Account - Recurring.
- Bank Deposit Slips Were Not Validated By The Bank.

Independent Auditor's Report (Continued)

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Statements will not be prevented or detected by the County Officer's internal control. Our consideration of the internal control over reporting on the Statements would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider all the significant deficiencies described above to be material weaknesses.

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.

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke at the end.

November 13, 2013

EUGENE A. DEPASQUALE
Auditor General

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REGISTER OF WILLS
DELAWARE COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

Receipts:

Inheritance Taxes (Note 2)	\$ 213,961,427
Disbursements and credits to Commonwealth (Note 4)	<u>(213,967,213)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	(5,786)
Examination adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2009 to December 31, 2012	<u><u>\$ (5,786)</u></u>

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

CLERK OF ORPHANS' COURT
 DELAWARE COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2009 TO DECEMBER 31, 2012

Receipts:

Marriage License Taxes	\$	4,786
Marriage License Application Surcharges		95,730
Marriage License Declaration Fees		95,730
Judicial Computer System/Access To Justice Fees		<u>236,690</u>
Total Receipts (Note 2)		432,936
Disbursements to Commonwealth (Note 4)		<u>(432,936)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments (Exhibit 1)		<u>17,787</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2009 to December 31, 2012	\$	<u><u>17,787</u></u>

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

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
DELAWARE COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2012

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 \$10 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. These fees were increased to \$23.50 for the period December 8, 2009 to December 31, 2014.

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/
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DELAWARE COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
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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 \$10 fee imposed on all petitions for grant of letters, and first filings in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts. These fees were increased to \$23.50 for the period December 8, 2009 to December 31, 2014.

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 \$1,143,424 by the Department of Revenue which is not reflected in the statement of receipts and disbursements.

REGISTER OF WILLS/
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 DELAWARE COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
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4. Disbursements And Credits

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 and credits are comprised as follows:

Deposits into the Department of Revenue's cash management account	\$ 212,816,575
Credits issued by the Department of Revenue	<u>1,150,638</u>
Total	<u><u>\$ 213,967,213</u></u>

Clerk Of Orphans' Court

Total disbursements are comprised as follows:

Clerk of Orphans' Court checks issued to:

Department of Revenue	<u><u>\$ 432,936</u></u>
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5. Balance Due Commonwealth (County) For The Period January 1, 2009 To December 31, 2012

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue. The balance does not reflect adjustments, if any, disclosed by our examination. Refer to Exhibit 1.

REGISTER OF WILLS/
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 DELAWARE COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
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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, 2009 to December 31, 2012:

Date of Summary of Collections Report	Balance Due Settled Reports Commonwealth (County)	Adjustments	Adjusted Balance Due Commonwealth (County)
2009			
January	\$ -	\$ -	\$ -
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	3	-	3
October	-	-	-
November	-	-	-
December	-	-	-
2010			
January	1,068	-	1,068
February	(36)	-	(36)
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	(6,841)	-	(6,841)
October	20	-	20
November	-	-	-
December	-	-	-

REGISTER OF WILLS/
 CLERK OF ORPHANS' COURT
 DELAWARE COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2009 TO DECEMBER 31, 2012

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)
2011			
January	\$ -	\$ -	\$ -
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
2012			
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	(1,000)	-	(1,000)
August	1,000	-	1,000
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
Balance due Commonwealth (County) per settled reports			(5,786)
Examination adjustments			-
Adjusted balance due Commonwealth (County) for the period of January 1, 2009 to December 31, 2012			<u>\$ (5,786)</u>

REGISTER OF WILLS/
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 DELAWARE COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
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6. Reconciliation Of Settled Reports – Clerk Of Orphans Court

The following presents a reconciliation of monthly reports settled by the Department of Revenue for the period January 1, 2009 to December 31, 2012:

Date of Summary of Collections Report	Balance Due Settled Reports Commonwealth (County)	Adjustments	Adjusted Balance Due Commonwealth (County)
2009			
January	\$ -	\$ -	\$ -
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
2010			
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-

REGISTER OF WILLS/
 CLERK OF ORPHANS' COURT
 DELAWARE COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
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6. Reconciliation Of Settled Reports – Clerk Of Orphans’ Court (Continued)

Date of Summary of Collections Report	Balance Due Settled Reports Commonwealth (County)	Adjustments	Adjusted Balance Due Commonwealth (County)
2011			
January	\$ -	\$ -	\$ -
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
2012			
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
Balance due Commonwealth (County) per settled reports			-
Examination adjustments (Exhibit 1)			<u>17,787</u>
Adjusted balance due Commonwealth (County) for the period of January 1, 2009 to December 31, 2012			<u><u>\$ 17,787</u></u>

REGISTER OF WILLS/
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NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
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7. Prior Examination Period Balance Due

We noted that there was a prior examination balance due the Commonwealth of \$1,821. This amount was paid to the Department of Revenue on February 28, 2013, which was subsequent to the end of our current examination period.

8. County Officer Serving During Examination Period

Hugh A. Donaghue, Esquire served as Register of Wills/Clerk of Orphans' Court during the period January 1, 2009 to December 31, 2012.

REGISTER OF WILLS/
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 DELAWARE COUNTY
 EXHIBIT 1
 FOR THE PERIOD
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Exhibit 1 - Schedule Of Reporting Errors And Examination Adjustments - Clerk Of Orphans' Court

<u>Month</u>	<u>Year</u>	<u>Examination Adjustments</u>	<u>Explanation</u>
3	2010	\$ 10,658	Commonwealth not paid for fees collected by office
6	2011	\$ (144)	The office overpaid the fee for seven Marriage Licenses
2	2012	\$ 3,578	Criminal Justice Enhancement Account Fee/Judicial Computer Project Surcharge fees remitted at \$10 per fee instead of \$23.50 per fee
3	2012	\$ 3,551	Criminal Justice Enhancement Account Fee/Judicial Computer Project Surcharge fees remitted at \$10 per fee instead of \$23.50 per fee
8	2012	\$ 144	State fees not remitted for seven Marriage Licenses sold
	Total	<u>\$ 17,787</u>	

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
DELAWARE COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
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Finding No. 1 - Misappropriation Of Commonwealth Funds Of At Least \$10,842

The Criminal Investigation Division of the Delaware County District Attorney's office conducted an investigation of the Delaware County Register of Wills' office and found that the former Chief Deputy Director misappropriated funds of approximately \$160,000. Through our testing, we determined that the Commonwealth's portion of the misappropriated funds totaled at least \$10,842 in Judicial Computer Project/Access to Justice (JCS/ATJ) probate fees collected by the Register of Wills office. We could not determine an exact amount of missing Commonwealth funds because the office failed to establish and implement an adequate system of internal controls over receipts as explained in more detail in Finding No. 2.

The former Chief Deputy Director was in charge of reconciling the day's receipts for the office. In the process of reconciliation this person would either:

- Void selected receipts for the Register of Wills probate fees that had been paid in cash and take the funds which removed these receipt totals from the daily transaction report, or
- Take probate receipt funds paid in cash without voiding the associated receipt and then alter the daily transaction report total. The former Chief Deputy Director would then substitute an adding machine slip instead of the altered transaction report to reflect the money remaining after the theft with the day's deposit.

The former Chief Deputy Director pled guilty to theft by unlawful taking of movable property and unlawful use of a computer on July 23, 2013.

This condition existed because the office failed to develop and implement an adequate system of internal controls.

Good internal accounting controls ensure that:

- The voiding of a receipt is completed by someone independent from handling cash and maintaining the accounting records.
- All deposits and daily transaction reports are reviewed and initialed by someone independent from handling cash and maintaining the accounting records.

REGISTER OF WILLS/
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FINDINGS AND RECOMMENDATIONS
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Finding No. 1 - Misappropriation Of Commonwealth Funds Of At Least \$10,842 (Continued)

Recommendation

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

Management's Response

The County Officer responded as follows:

Starting in July 2010, the Register of Wills employed the services of an independent certified public accountant to review and comment on the internal procedures within the office.

The Register of Wills, working with this independent CPA, discovered and reported suspected theft by the former Chief Deputy Director to the District Attorney and the Delaware County Personnel office on November 8, 2012. The former Chief Deputy, was then terminated on November 13, 2012. The investigation found that the former Chief Deputy had engaged in theft of probate fees over a period of years. This theft involved the state funds referenced in the Auditor General's findings as listed above. Charges were brought against the former Chief Deputy Director for her theft. On July 23, 2013, the former Chief Deputy Director entered an Open Guilty Plea admitting to the theft and her responsibility for it, to Count 1 - Theft by Unlawful Taking (Felony 3) and Count 5 - Unlawful Use of Computer (Felony 3). On November 7, 2013, a visiting Senior Judge from Montgomery County, sentenced the former Chief Deputy Director to the following:

Count 1: 6-23 Months in the Delaware County Prison, 5 years Consecutive Probation. She was directed to report to the prison on November 18, 2013 at 9:00 AM, continue with AA, Drug testing, and to pay a \$500 Fine.

Count 5: 5 Years Consecutive Probation.

The Register of Wills office has recovered the misappropriated funds, without cost to the taxpayers, and is prepared to reimburse the PA Department of Revenue for the state funds owed in the amount of \$10,842, which had been stolen by the former Chief Deputy. Please note, the former Chief Deputy Director forfeited her pension and there has been a reimbursement of funds misappropriated by her from our insurance company.

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Finding No. 2 - Inadequate Internal Controls Over Receipts - Register Of Wills - Recurring

We cited the Register of Wills' inadequate internal controls over receipts in our prior examination for the period ending December 31, 2008. However, our current examination found that the office did not correct this issue.

The Register of Wills Office, Orphans Court Office and the Marriage License Office each have separate computer systems for the collection of funds. Once again, our examination of the accounting records for the office disclosed the following deficiencies in the internal controls over the processing of receipts:

- There were missing receipt numbers. Receipt numbers are assigned in sequence by each computer system. However the payment/processing date can be manipulated in each system. Register of Wills receipts can be assigned any valid calendar date. The receipts in the Clerk of Orphans Court office and the Marriage License office can be changed to any date prior to the actual date of entry. The ability to manipulate dates resulted in gaps in the sequence of receipt numbers on the daily transaction reports. Therefore, we could not determine a complete population of receipt numbers.
- The method of payment (i.e. cash, check, money order) for receipts was not recorded in the computer system. Therefore, the daily transaction reports did not include detail of the total of cash and checks received in the system.
- The computer system does not date stamp receipts or certain reports.
- The computer system does not identify the person generating the receipt transaction or report. Therefore, the office does not know who is responsible for altered transactions such as date manipulation or voided transactions.

A good system of internal controls ensures that:

- The daily transaction reports are completed to include the monies collected and receipted for the day in numerical sequence without any "missing" receipts. In addition, the computer system software should be changed so that the payment date cannot be manipulated and dates entered into the system remain the actual date that the transaction was processed.

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Finding No. 2 - Inadequate Internal Controls Over Receipts - Register Of Wills - Recurring
(Continued)

- Receipts are recorded in the same manner as payments are received (i.e. cash, check, money order) and any discrepancies should be immediately investigated and resolved. Also, daily transaction reports include detailed totals based on the type of payment received.
- All reports and transactions are automatically date-stamped by the computer system.
- All reports and transactions include the identity of the person entering transactions or generating reports in the computer system.

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

These conditions existed because the office failed to establish adequate internal controls over its receipts.

Recommendation

Again, we strongly recommend that the office establish and implement an adequate system of internal controls over receipts as noted above. It is imperative that the office comply with our recommendations in order to adequately safeguard funds collected by the office. The office's failure to maintain an adequate system of internal controls over the receipts as noted above has resulted in the misappropriation of funds as discussed in Finding No. 1.

Management's Response

The County Officer responded as follows which included statements regarding corrective actions taken:

All of these issues have been identified, and steps have been implemented to correct these deficiencies. For clarification purposes, the comment in this finding in regard to "missing receipt numbers" is believed to refer to the skipped transaction numbers that our software produces.

The initiation of our software systems began in the year 2000. As has been previously discussed, the software systems produce a number of skipped transactions. Although it has been addressed with the programmers, it has been suggested that this is a normal occurrence. As per our software technician, no

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Finding No. 2 - Inadequate Internal Controls Over Receipts - Register Of Wills - Recurring
(Continued)

Management's Response (Continued)

employee can delete transaction numbers in any of our software systems. In November/December 2011, a time stamp machine was implemented to place the date and time on the receipt of all office documents. All mail as well as filings for the Register of Wills, including Inheritance Tax payments and returns, are put through this machine which records the date/time of receipt on each document. Since November 2012, when preparing Inheritance Tax receipts, the method of payment and user id have been entered and appear in the "Comments" section of each Inheritance Tax receipt issued. For one year now, in regard to Non-Inheritance Tax transactions, every office transaction/receipt is entered into the cash register. A duplicate paper cashier tape is generated and stapled to every transaction/receipt.

This cashier's tape shows the type of transaction, and the date and time the transaction is entered into the cash register. The Register of Wills engaged with an independent software firm in April 2013, to investigate upgrading our software systems. A new software system is presently being designed which will enhance the daily accounting and auditing practices. In August 2013, Delaware County Council approved a contract between the Office of the Register of Wills and the independent software firm to upgrade/develop new software systems for the Register of Wills, Orphans' Court and Marriage License operations. The following sets forth, in detail, the independent software firm's plan for certain new features to be developed to strengthen our internal controls regarding transactions as per our contract with them:

["The transactions will record user, action performed (insert, update), information changed in the case of an update, and time/date that it occurred. This will allow for a recreation of any record from creation to present day. No records will be deleted from the system. Records will be marked inactive if they are not to be displayed. All financial transactions from the Marriage License, Probate, Orphans Court and Inheritance Tax applications will be transacted at a single point of sale through the Cashier's Application. The Cashier's application will have a cash drawer and a validator integrated with the system. The cashier application will have a listing of all pending transactions (entered from each department) available for payment. Additionally, each document/receipt will be 'validated' using the validator which will have a 20 digit code listing the amount of the transaction, the transaction type, department, operator and time and date stamped on the customer's receipt and imprinted on the validator tape. All receipt numbers will be kept in an audit table with the system maintaining the date/time and operator who transacted the receipt. This will insure that receipt numbers will not be skipped. The system will not permit anyone to remove or edit records in this table. All voids will require that an authenticated user be in a special "VOID" security group, who will be required to enter a description of the void, and why it was necessary. All financial

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Finding No. 2 - Inadequate Internal Controls Over Receipts - Register Of Wills - Recurring
(Continued)

Management's Response (Continued)

transactions, once processed, will be locked and not editable. If an error was made, then a corresponding reverse transaction will need to be processed to adjust the amounts. Reverse transactions will require special security permissions. The Cashier program will have a report that will show the amount of cash in the cash drawer at any time during the day for the operator to check during their shift. At the end of the day, the operator will close out the register and post the days transactions into an archive file that will be read-only. An administrator with the proper security credentials will enter in the deposit amount from the bank and post it against the daily transactions to verify and reconcile daily amounts against what was deposited. All of this can be compared to the X/Y/Z reports that can be generated from the validator tapes.”]

The new software will record the method of payment on receipt, provide a date/time stamp on receipt, remove the ability to manipulate receipt dates, and provide the user id on receipts. A new internal accounting and auditing policy and procedure has been in place for a year. Steps have been taken to insure internal controls over cash. However, cash probate fees are no longer accepted. Only payment by check or money order is permitted. Additionally, all cash office fee transactions (Non-Inheritance Tax) are entered into the cash register.

Auditor's Conclusion

We acknowledge the officeholder's effort to correct these conditions. This is a recurring finding. We strongly recommend that the officeholder take all corrective actions necessary to comply with all our recommendation. The failure to implement the recommended procedures increases the potential for funds to be lost or misappropriated.

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Finding No. 3 - Inadequate Segregation Of Duties

Our examination disclosed that the former Chief Deputy Director in the office was responsible for performing the following functions:

- Entering collection information into the computer system.
- Summarizing accounting records.
- Voiding receipts and making voided transaction adjustments.
- Reconciling collections to accounting records and/or receipts.
- Reconciling the bank account.
- Preparing checks.

A good system of internal control requires an adequate segregation of duties.

These conditions existed because the office failed to develop and implement adequate segregation of duties.

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

Without adequate segregation of duties, the possibility of funds being lost or misappropriated increases significantly.

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Finding No. 3 - Inadequate Segregation Of Duties (Continued)

Recommendation

We recommend that the office provide for greater segregation of duties within the office. This can be done by 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 be in charge of voiding receipts as well as review the employee's work at the end of the day. The reviewer should sign and date the records and documents reviewed.

Management's Response

The County Officer responded as follows which included statements regarding corrective actions taken:

The employee worked in the Register of Wills office for approximately 32 years. For the past 12 years, she acted as Chief Deputy where she assumed operational and financial responsibilities. In the summer of 2010, an independent certified public accountant was engaged to review office policies and procedures. The Register of Wills office started implementing changes in 2011. Additionally, it was felt a segregation of duties should be initiated. In August 2012, the banking function was transferred from the former Chief Deputy to other employees to ensure better banking accountability. Also, changes to policies, procedures and the segregation of duties occurred in 2012 and 2013. This segregation consists of the following:

1. Daily Financial Transactions (Non-Inheritance Tax)

The Cashier rings in all Non-Inheritance Tax office transactions and balances the monies (cash, checks, and money orders) collected for Register of Wills, Orphans' Court and Marriage License fees to the cash register's z tape at the end of each business day. The monies are then placed in a locked safe. There is a new system in place for balancing transactions. All daily activity reports, (i.e. receipts, deposits, and balances) are crosschecked three times. The following business day, a Deputy (other than the Chief Deputy) and the Estate Inventory clerk sit together and make sure that the cash register tape balances to the monies collected to the transactions/receipts created and to the computerized transaction reports that detail the previous day's activity. At this time, all deposit slips are prepared. No one is allowed to do this work alone. A spreadsheet of activity is completed.

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Finding No. 3 - Inadequate Segregation of Duties (Continued)

Management's Response (Continued)

A Daily Deposit Verification takes place by the Chief Deputy. This Verification is to audit the work of the cashier and the work of the Deputy and Estate Inventory Clerk. The purpose of the Verification is to make sure that the values on the cash register tape equals the values on the computerized reports equals the values on the deposit slips. All monies are tabulated again.

The findings of each Daily Deposit verification are reported by the Chief Deputy Register of wills to the Register of Wills. The Register of Wills reviews the Verifications of the Chief Deputy.

2. Banking (Non-Inheritance Tax)

Once the Chief Deputy completes the Daily Deposit Verification, if all items balance, then the deposit slips are ready for the bank, and the day's bookkeeping paperwork (receipts, register tapes, etc.) are filed.

Each afternoon, the cashier takes the deposits to the bank, and she returns with the deposit slips.

The cashier keeps a running "bankbook" for the office bank accounts which is a computerized spreadsheet. She records the deposits made daily and any checks written on the bank accounts. She monitors the online bank statements and records in her "bankbook" any activity regarding bounced checks, PA Department of Revenue commission deposits, and any other activity. The cashier performs the reconciliation of the bank statements.

The "bankbook", online bank statements, and verified bank deposit slips are reviewed randomly by the Chief Deputy or the Register of Wills during the course of the month.

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Finding No. 3 - Inadequate Segregation Of Duties (Continued)

Management's Response (Continued)

3. Each Month's Activity (Non-Inheritance Tax)

After the end of the month, a five point review is completed by the Chief Deputy: The Daily Deposit Verification totals are compared to the clerk's spreadsheet, the cashier's "bankbook" spreadsheet, and bank statements (online & paper) for the Operating Account and the JCS/Marriage License Account to check for any discrepancy.

The Orphans' Court Monthly Report, for reporting the JCS and Marriage License state fees' is completed by the Estate Inventory clerk. The totals on this report are compared with the information used for the five point review (as described above) by the Chief Deputy.

The Chief Deputy presents her findings to the Register of Wills for his review. If satisfactory, the Register of Wills will sign the report and the check due the Commonwealth for the JCS & Marriage License state fees owed. The Estate Inventory Clerk mails this Monthly Report and check to the PA Department of Revenue.

The Register of Wills and the Delaware County Controller's Department recently have implemented a new procedure of review. After the end of each month, the Controller's office will meet with the Register of Wills to review the Register of Wills financial activity for the prior month.

4. Daily Inheritance Tax transactions

For Inheritance Tax payments: Currently, Inheritance Tax payments are received either through the mail or in person in the Register of Wills office. Once a payment is received, it is "clocked in" using our time machine to note when the payment was received. Each payment is documented initially by being written on a list called an "Inheritance Tax Daily Log." The First Deputy verifies the payments received with this "Log." Payments are then entered into the Register of Wills software, and a receipt/transaction is generated for each payment. A deposit slip is then prepared. In 2010, a policy was initiated wherein

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Finding No. 3 - Inadequate Segregation Of Duties (Continued)

Management's Response (Continued)

all Inheritance Tax payments were to be deposited the following business day without exception. Only extreme circumstances would excuse next day deposits.

An "Itemization of Inheritance Tax Receipts Issued" is printed which shows the payments entered for that day. The total amount of checks/money orders/cash to be deposited is compared to the total on this list. The First Deputy verifies that the amount on the deposit slip equals the amount of total checks/money orders/cash received equals the total on the Daily Log equals the total on the Itemization Report. Generally, a deposit is made at the bank daily. A deposit slip is received. Verified deposit slips are randomly reviewed by the Chief Deputy or the Register of Wills.

5. Each Month's Activity (Inheritance Tax)

At the end of the month, the yellow copy of the deposit slips are attached to a Register of Wills Monthly Report (for Total Inheritance Tax Collections) with copies of each day's Inheritance Tax Itemization list which is prepared by the Estate Inventory Clerk.

Prior to the Register of Wills Monthly Report being sent to the PA Department of Revenue, the totals on the deposit slips are again checked against each day's Itemization Report and the daily deposits listed on the Inheritance Tax online bank statement for that month by the Chief Deputy for accuracy. Each deposit slip's verification is additionally reviewed.

The Chief Deputy presents her findings to the Register of Wills for review. If satisfactory, the Register of Wills then signs this Monthly Report which is then sent by the Estate Inventory Clerk to the PA Department of Revenue.

The Register of Wills and the Delaware County Controller's Department recently have implemented a new procedure of review. After the end of each month, the Controller's Office will meet with the Register of Wills to review the Register of Wills financial activity for the prior month.

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Finding No. 3 - Inadequate Segregation Of Duties (Continued)

Management's Response (Continued)

6. The Voiding Of Transactions

There are limitations on the ability of an employee to void a transaction. Any and all voids must be approved by a Supervisor. When a Supervisor initiates a void, the void must be cross checked by another Supervisor. All voided transactions are reviewed again during the Daily Deposit Verification by the Chief Deputy.

The Register of Wills reviews the findings of the Chief Deputy's Daily Deposit Verification. As previously mentioned, the Delaware County Controller's Department will meet with the Register of Wills to review the financial activity for the prior month.

This delegation of duties was accomplished through our own internal review.

Most of the above information was submitted to the Auditor General's office in a document entitled, "INFORMATION REQUESTED FOR AUDIT BY AUDITOR GENERAL'S OFFICE" dated March 25, 2013, which sets forth in extensive detail the measures taken to strengthen internal controls within the Register of Wills office.

Auditor's Conclusion

We acknowledge the officeholder's effort to correct these conditions. We strongly recommend that the office take all corrective actions necessary to comply with our recommendation. It is imperative that the office maintain an adequate segregation of duties to ensure that funds can no longer be misappropriated. We will review this area during our next scheduled audit in order to determine if the office complied with our recommendations.

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Finding No. 4 - Inadequate Internal Controls Over The Bank Account - Recurring

We cited the office's inadequate internal controls over the bank account in the two prior examination reports, with the most recent for the period ending December 31, 2008. However, our current examination found that the office did not correct this issue. Once again, our examination of the accounting records for the office disclosed that there was no accountability over undisbursed funds. There was an adjusted bank balance of \$52,419 as of December 31, 2012 without a corresponding liabilities report indicating to whom the monies were due.

Good internal accounting control procedures ensure that the ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the office bank account is essentially an escrow account on behalf of the Commonwealth, County, and other participating entities, all available funds on hand should equal unpaid obligations.

Without a good system of internal control over the bank account, the possibility of funds being lost or misappropriated increases significantly.

This condition existed because the office failed to establish and implement an adequate system of internal controls over its bank account.

Recommendation

Once again, we strongly recommend that the office establish and implement an adequate system of internal controls over the bank account as noted above. The office's failure to maintain adequate accountability over the bank account increases the possibility of loss or theft of funds.

Management's Response

The County Officer responded as follows:

In 2010, the Register of Wills employed an independent certified public accountant and started a process of review of our operational and financial internal controls. It was determined in this review that internal controls and personal accountability over funds needed to be improved. Additionally, it was felt that a segregation of duties should be initiated. In August 2012, the banking function was transferred from the former Chief Deputy to other employees to ensure better banking accountability.

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Finding No. 4 - Inadequate Internal Controls Over The Bank Account - Recurring
(Continued)

Management's Response (Continued)

It is agreed that a fund balance of \$17,787 is due the Commonwealth of PA. This sum consists of \$10,658 not paid for the March 2010 Orphans' Court Monthly Report together with the \$7,129 which resulted from the underreporting of ATJ/JCS funds on the Orphans' Court Monthly Reports from February and March of 2012.

This underreporting was the result of the Commonwealth having provided the wrong forms to the Register of Wills which requested an inadequate amount of funds due (\$10 instead of \$23.50).

These forms were used for the February and March 2012 Orphans' Court Monthly Reports submitted to the PA Department of Revenue for ATJ/JCS collections. The difference owed a total of \$7,129 (\$3,578 from February 2012 and \$3,551 from March 2012). The Register of Wills previously brought this problem to the attention of the Commonwealth of PA, Department of Revenue.

Subsequent to that time, the Commonwealth of PA has provided the appropriate forms to the Register of Wills now showing the correct amounts to be reported to the Commonwealth of PA Department of Revenue.

After the balance of \$17,787 (based on the Auditors' Findings), which is due to the Commonwealth, and the \$10,842 of state funds which were misappropriated due to the former Chief Deputy's theft, are paid to the PA Department of Revenue, no additional funds are due the Commonwealth. It would appear that the remaining \$23,790.52 was erroneously deposited into the JCS & Marriage License bank account instead of the Register of Wills operating bank account. It is our intent to deposit the remaining balance into this operating bank account with subsequent transfer to the Treasurer of Delaware County.

As previously mentioned, and described here earlier in great detail, there is a segregation of duties that have been established, a new internal accounting and auditing policy and procedures which have been implemented to further strengthen the internal controls over the office bank accounts.

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Finding No. 4 - Inadequate Internal Controls Over The Bank Account - Recurring
(Continued)

Auditor's Conclusion

We appreciate the officeholder's effort to correct this condition. This is a recurring finding. We strongly recommend that the officeholder take all corrective action necessary to comply with all our recommendations. The failure to implement the recommended procedures increases the potential for funds to be lost or misappropriated.

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Finding No. 5 - Bank Deposit Slips Were Not Validated By The Bank

Our examination of the office's accounting records disclosed that the office copy of the bank deposit slip was not validated by the bank in 40 of 95 days tested. The office received a validated receipt from the bank, but this only confirmed the total amount deposited and not the actual make up of the deposit (i.e. cash and check mix).

Good internal accounting controls require that the amount of each check and the total amount of cash deposited are identified on the deposit slip. The office copy of each deposit slip should be brought to the bank to be validated. If the bank cannot validate the deposit slip, the office should obtain a deposit ticket from the bank that validates total cash and the total deposit. After the office receives validation from the bank, it should be reconciled to the receipts by someone other than the person preparing or making the deposit.

This condition existed because the office failed to develop and implement a procedure for obtaining validation from the bank that documents the total cash deposited.

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

Recommendation

We recommend that the office obtain a validation from the bank as to the mix of cash and checks deposited. We further recommend that the validation is reconciled to receipts by someone other than the person preparing or making the deposit.

Management's Response

The County Officer responded as follows which included statements regarding corrective actions taken:

In March 2013, we started the process of having the bank issue a "cash in" ticket which would segregate the amount of cash deposited when the deposit has a mix of cash and checks. This separate ticket is issued by the bank when returning a processed/verified deposit slip at the time the deposit is made at the bank. This ticket shows the amount of cash as deposited on the deposit slip, the date and time of the deposit, and a code which identifies the teller who processed the deposit. The verified deposit slip shows the total amount deposited of the mix of cash and checks.

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Finding No. 5 - Bank Deposit Slips Were Not Validated By the Bank (Continued)

Management's Response (Continued)

This "cash in" ticket is issued for all deposits that contain a mix of cash/checks for the Register of Wills Operating Account, JCS & Marriage License Account, and the inheritance Tax Account.

This finding has been addressed with corrective action. Online banking was implemented so that the daily deposits can be verified. This system does not allow for online withdrawals, transfers or deposits, but is used for monitoring purposes.

Auditor's Conclusion

We acknowledge the officeholder's effort to correct this condition. We strongly recommend that the office take all corrective actions necessary to comply with our recommendation. We will review this area during our next scheduled audit in order to determine if the office complied with our recommendation.

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COMMENT
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Comment - Compliance With Prior Examination Recommendations

During our prior examination, we recommended:

- That the office prepare monthly bank reconciliations.

During our current examination, we noted that the office did comply with our recommendation.

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REPORT DISTRIBUTION
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This report was initially distributed to:

The Honorable Daniel P. Meuser
Secretary
Pennsylvania Department of Revenue

The Honorable Zygmunt Pines
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

The Honorable Hugh A. Donaghue	Register of Wills/Clerk of Orphans' Court
The Honorable Edward O'Lone	Controller
The Honorable Thomas J. McGarrigle	Chairman of the County Council

This report is a matter of public record and is available online at <http://www.auditorgen.state.pa.us>. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.