



RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT

LYCOMING COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 2006 TO DECEMBER 31, 2009

CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Financial Section:	
Statements Of Receipts And Disbursements:	
Recorder Of Deeds	
Realty Transfer Taxes	5
Writ Taxes And Judicial Computer System/Access To Justice Fees	6
Register Of Wills.....	7
Clerk Of Orphans' Court.....	8
Notes To The Statements Of Receipts And Disbursements	9
Finding And Recommendation:	
Finding - Inadequate Internal Controls Over Receipts	15
Comment.....	17
Report Distribution	19



**Department of the Auditor General
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
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 Recorder of Deeds/Register of Wills/Clerk of Orphans' Court, Lycoming County, Pennsylvania (County Officer), for the period January 1, 2006 to December 31, 2009, 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.

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)

In our opinion, the Statements referred to above present, in all material respects, the operations of the County Officer as it pertains to receipts made on behalf of the Commonwealth for the period ended December 31, 2009, 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 deficiency described in the finding below to be a significant deficiency in internal control over the reporting on the Statements:

- Inadequate Internal Controls Over Receipts.

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 the significant deficiency described above to be a material weakness.

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.

February 24, 2011

JACK WAGNER
Auditor General



RECORDER OF DEEDS
LYCOMING COUNTY
REALTY TRANSFER TAXES
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2009

Receipts:

Realty Transfer Taxes (Note 2)	\$ 10,209,176
Disbursements to Commonwealth (Note 4)	<u>(10,194,855)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	14,321
Examination adjustment (Note 6)	<u>(14,321)</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2006 to December 31, 2009	<u><u>\$ -</u></u>

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

RECORDER OF DEEDS
 LYCOMING COUNTY
 WRIT TAXES AND JUDICIAL COMPUTER SYSTEM/ACCESS TO JUSTICE FEES
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2006 TO DECEMBER 31, 2009

Receipts:

Writ Taxes	\$ 47,838
Judicial Computer System/Access To Justice Fees	<u>674,120</u>
Total Receipts (Note 2)	721,958
Commissions (Note 3)	<u>(1,435)</u>
Net Receipts	720,523
Disbursements and credits to Commonwealth (Note 4)	<u>(720,523)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	-
Examination adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2006 to December 31, 2009	<u><u>\$ -</u></u>

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

REGISTER OF WILLS
LYCOMING COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2009

Receipts:

Inheritance Taxes (Note 2)	\$ 23,985,669
Disbursements to Commonwealth (Note 4)	<u>(24,000,012)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	(14,343)
Examination adjustments (Note 7)	<u>14,343</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2006 to December 31, 2009	<u><u>\$ -</u></u>

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

CLERK OF ORPHANS' COURT
 LYCOMING COUNTY
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2006 TO DECEMBER 31, 2009

Receipts:

Marriage License Taxes	\$	1,512
Marriage License Application Surcharges		30,240
Marriage License Declaration Fees		30,240
Judicial Computer System/Access To Justice Fees		22,030
Criminal Justice Enhancement Account Fees		<u>473</u>
Total Receipts (Note 2)		84,495
Disbursements to Commonwealth (Note 4)		<u>(84,495)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustment (Note 8)		<u>595</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2006 to December 31, 2009	\$	<u><u>595</u></u>

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

RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
LYCOMING COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2009

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

Recorder Of Deeds

Receipts consist of monies collected on behalf of the Commonwealth. These include monies collected for the following taxes and fees:

- The Pennsylvania Realty Transfer Tax is a documentary stamp tax of 1 percent on the value of the interest in real property transferred by deed.
- Writ Taxes represent a \$.50 tax imposed on various types of documents and a \$10 tax on notary public commissions processed through the office.
- Judicial Computer System/Access To Justice Fees represent a \$10 fee imposed for each filing of deeds in any form, mortgages, mortgage assignments, mortgage releases, mortgage satisfaction pieces, installment sales agreements, leases for a term of 30 years or longer, and easements.

RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
LYCOMING COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2009

2. Receipts (Continued)

Register Of Wills

Receipts consist of monies collected on behalf of the Commonwealth less commissions on these monies. 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.

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.

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.

RECORDER OF DEEDS/REGISTER OF WILLS/
 CLERK OF ORPHANS' COURT
 LYCOMING COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2006 TO DECEMBER 31, 2009

2. Receipts (Continued)

Clerk Of Orphans' Court (Continued)

- 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.

3. Commissions

Acting in the capacity of an agent for the Commonwealth, the Recorder of Deeds/Register of Wills is authorized to collect a commission on the Commonwealth portion of taxes as follows:

<u>Tax</u>	<u>Commission</u>
Realty Transfer	1%
Writ	3%
Inheritance	4.25% \$1.00 to \$200,000.00
	1.75% next \$800,000.00
	.50% thereafter

Recorder of Deeds commissions of \$102,092 for Realty Transfer Taxes and Register of Wills commissions of \$189,968 for Inheritance Taxes were paid to the County by the Department of Revenue, which are not reflected in the Statements.

RECORDER OF DEEDS/REGISTER OF WILLS/
 CLERK OF ORPHANS' COURT
 LYCOMING COUNTY
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2006 TO DECEMBER 31, 2009

4. Disbursements And Credits To Commonwealth

Recorder Of Deeds

Realty Transfer Taxes

The Recorder of Deeds participates in the Department of Revenue's cash management system for Realty Transfer Taxes. Under this system, the "Agent" deposits Realty Transfer Tax collections to a local account approved and established in the name of the Department of Revenue, thereby eliminating the need for the agent to issue a check to disburse these taxes.

Total disbursements are comprised as follows:

Deposits into the Department of Revenue's cash management account	<u><u>\$ 10,194,855</u></u>
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Writ Taxes And Judicial Computer System/Access To Justice Fees

Total disbursements and credits are comprised as follows:

Recorder of Deeds checks issued to:

Department of Revenue	\$ 720,473
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Credit taken on the current examination for the prior audit period: January 1, 2003 to December 31, 2005	<u>50</u>
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Total	<u><u>\$ 720,523</u></u>
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RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
LYCOMING COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2009

4. Disbursements And Credits To Commonwealth (Continued)

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	<u>\$ 24,000,012</u>
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Clerk Of Orphans' Court

Total disbursements are comprised as follows:

Clerk of Orphans' Court checks issued to:

Department of Revenue	<u>\$ 84,495</u>
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5. Balance Due Commonwealth (County) For The Period January 1, 2006 To December 31, 2009

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 Notes 6, 7, and 8.

6. Examination Adjustment - Realty Transfer Taxes

In October 2009, a \$14,321 Realty Transfer Tax deposit was erroneously credited by the bank to the Register of Wills Inheritance Tax account.

RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
LYCOMING COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2009

7. Examination Adjustments - Register of Wills

There were \$22 in immaterial adjustments made to the January 2009 monthly report for non-sufficient funds checks and bank charges in the Inheritance Tax account.

Also, as noted in Note 6, in October 2009, a \$14,321 Realty Transfer Tax deposit was erroneously credited by the bank to the Register of Wills Inheritance Tax account.

The total of these adjustments is \$14,343.

8. Examination Adjustment - Clerk Of Orphans' Court

In October 2006, 29 marriage licenses totaling \$595 in taxes, fees, and surcharges were not reported as sold to the Department of Revenue.

9. County Officer Serving During Examination Period

Annabel Miller served as Recorder of Deeds/Register of Wills/Clerk of Orphans' Court during the period January 1, 2006 to December 31, 2009.

RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
LYCOMING COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2009

Finding - Inadequate Internal Controls Over Receipts

Our examination of the accounting records for the office disclosed the following deficiencies in the internal controls over receipts:

- The office copy of the bank deposit slip was not validated by the bank in 84 of the 125 deposits tested. At times, 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).
- The office copy for 25 bank deposit slips could not be located and were not available for examination.

It should be noted that the testing of the receipts indicated that the total amount receipted equaled the total amount deposited.

A good system of internal controls ensures 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 should be brought to the bank to be validated.
- All accounting records, including deposit slips, are properly accounted for and maintained. In addition, all documentation should be kept until audited by the Department of the Auditor General.

Without a good system of internal controls over funds received 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.

RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
LYCOMING COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2009

Finding - Inadequate Internal Controls Over Receipts (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:

The banks are now validating the deposit slips here.

Auditor's Conclusion

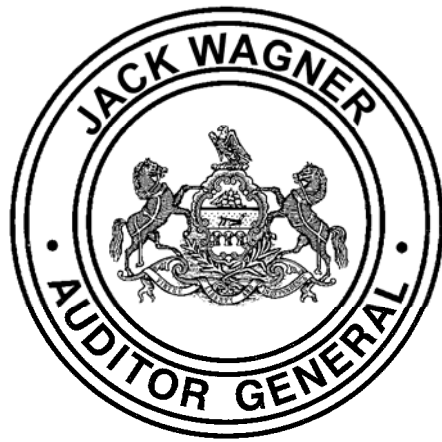
During our next examination we will determine if the office complied with our recommendation.

RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
LYCOMING COUNTY
COMMENT
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2009

Comment - Compliance With Prior Examination Recommendation

During our prior examination, we recommended that receipts be deposited on the same day as collected.

Our current examination found that the office substantially complied with our prior examination recommendation. Insignificant instances of noncompliance were verbally communicated to the office.



RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
LYCOMING COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2006 TO DECEMBER 31, 2009

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 Courts
Administrative Office of Pennsylvania Courts

The Honorable Annabel Miller

Recorder of Deeds/Register of Wills/
Clerk of Orphans' Court

The Honorable Krista B. Rogers

Controller

The Honorable Rebecca A. Burke

Chairwoman of the Board of Commissioners

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.