



**RECORDER OF DEEDS  
FAYETTE COUNTY  
EXAMINATION REPORT  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen

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 Recorder of Deeds, Fayette County, Pennsylvania (County Officer), for the period January 1, 2008 to December 31, 2010, 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 January 1, 2008 to December 31, 2010, 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:

- Inadequate Internal Controls Over Cash Receipts.
- Inadequate Internal Controls Over The Bank Account.
- Inadequate Segregation Of Duties.

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 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.



August 19, 2013

**EUGENE A. DEPASQUALE**  
Auditor General

## CONTENTS

	<u>Page</u>
Financial Section:	
Statements Of Receipts And Disbursements:	
Realty Transfer Taxes .....	1
Writ Taxes And Judicial Computer System/Access To Justice Fees .....	2
Notes To The Statements Of Receipts And Disbursements .....	3
Findings And Recommendations:	
Finding No. 1 - Inadequate Internal Controls Over Cash Receipts .....	5
Finding No. 2 - Inadequate Internal Controls Over The Bank Account.....	6
Finding No. 3 - Inadequate Segregation Of Duties.....	8
Report Distribution .....	10

RECORDER OF DEEDS  
 FAYETTE COUNTY  
 REALTY TRANSFER TAXES  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2008 TO DECEMBER 31, 2010

Receipts:

Realty Transfer Taxes (Note 2)	\$	4,529,241
Commissions (Note 3)		<u>(45,292)</u>
Net Receipts		4,483,949
Disbursements to Commonwealth (Note 4)		<u>(4,483,949)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2008 to December 31, 2010	\$	<u><u>-</u></u>

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

RECORDER OF DEEDS  
 FAYETTE COUNTY  
 WRIT TAXES AND JUDICIAL COMPUTER SYSTEM/ACCESS TO JUSTICE FEES  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2008 TO DECEMBER 31, 2010

Receipts:

Writ Taxes	\$	29,057
Judicial Computer System/Access To Justice Fees		<u>571,000</u>
Total Receipts (Note 2)		600,057
Commissions (Note 3)		<u>(872)</u>
Net Receipts		599,185
Disbursements to Commonwealth (Note 4)		<u>(599,185)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2008 to December 31, 2010	\$	<u><u>-</u></u>

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

RECORDER OF DEEDS  
FAYETTE COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

1. Criteria

The Statements of Receipts and Disbursements provide a summary of receipts and disbursements by category. The categories and the amounts of taxes and fees assessed are based on Pennsylvania laws and regulations.

The Statements were prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Revenue. Under this method, only the Commonwealth portion of cash receipts and disbursements are presented, revenues are recognized when received, and expenditures are recognized when paid.

2. Receipts

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

- The Pennsylvania Realty Transfer Tax is a documentary stamp tax of 1 percent on the value of the interest in real property transferred by deed.
- Writ Taxes represent a \$.50 tax imposed on various types of documents and a \$10 tax on notary public commissions processed through the office.
- Judicial Computer System/Access To Justice Fees represent a \$10 fee imposed for each filing of deeds in any form, mortgages, mortgage assignments, mortgage releases, mortgage satisfaction pieces, installment sales agreements, leases for a term of 30 years or longer, and easements. These fees were increased to \$23.50 for the period December 8, 2009 to December 31, 2014.

3. Commissions

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

<u>Tax</u>	<u>Commission</u>
Realty Transfer	1%
Writ	3%



RECORDER OF DEEDS  
FAYETTE COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

4. Disbursements

Realty Transfer Taxes

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

Total disbursements are comprised as follows:

Deposits into the Department of Revenue's cash management account	<u>\$ 4,483,949</u>
--	---------------------

Writ Taxes And Judicial Computer System/Access To Justice Fees

Total disbursements are comprised as follows:

Recorder of Deeds checks issued to:

Department of Revenue	<u>\$ 599,185</u>
-----------------------	-------------------

5. Balance Due Commonwealth (County) For The Period January 1, 2008 To December 31, 2010

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

6. County Officer Serving During Examination Period

David G. Malosky served as Recorder of Deeds during the period January 1, 2008 to December 31, 2010.

RECORDER OF DEEDS  
FAYETTE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 1 - Inadequate Internal Controls Over Cash Receipts

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

- Of 50 deposits tested 14 had a mix of cash and checks recorded on the deposit slips that did not agree with the mix of cash and checks recorded on the accounting records.

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 mix of cash and checks deposited matches the mix of cash and checks receipted. Any discrepancies should be immediately investigated and resolved.

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.

Recommendations

We recommend that the office ensure that the mix of cash and checks deposited matches the mix of cash and checks receipted.

Management's Response

The County Officer responded as follows:

The office holder and his staff have and will be implementing and complying with the written finding as outlined in the Department of the Auditor General's report.

RECORDER OF DEEDS  
FAYETTE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 2 - Inadequate Internal Controls Over The Bank Account

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

- Bank reconciliations were not prepared on a monthly basis.
- A running balance is not always maintained on the check register.
- There was no accountability over undisbursed funds. We found that the office had recorded obligations that exceeded funds on hand in the checking account by \$2,091.70 as of December 31, 2010.

A good system of internal controls ensures that:

- Bank statements are reconciled to the book balance on a monthly basis and any discrepancies are immediately investigated and resolved.
- A running balance is maintained on the check register.
- 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 controls over the bank account, the possibility of funds being lost or misappropriated increases significantly.

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

RECORDER OF DEEDS  
FAYETTE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 2 - Inadequate Internal Controls Over The Bank Account (Continued)

Recommendation

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

Management's Response

The County Officer responded as follows:

The office holder and his staff have and will be implementing and complying with the written finding as outlined in the Department of the Auditor General's report.

RECORDER OF DEEDS  
FAYETTE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 3 - Inadequate Segregation Of Duties

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

- Opening mail.
- Collecting cash, entering collection information into the computer system, and issuing receipts.
- Making voided transaction adjustments.
- Preparing deposit slips.
- Posting disbursements to the disbursement journal.
- Reconciling the bank account.
- Preparing checks.
- Summarizing accounting records.

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.

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

This condition existed because office personnel were not cross-trained. Additionally, duties involving the handling of cash and maintaining accounting records were not rotated daily.

RECORDER OF DEEDS  
FAYETTE COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

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 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:

The office holder and his staff have and will be implementing and complying with the written finding as outlined in the Department of the Auditor General's report.

RECORDER OF DEEDS  
FAYETTE COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

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 David G. Malosky	Recorder of Deeds
The Honorable Sean Lally	Controller
The Honorable Al Ambrosini	Chairperson of the Board of Commissioners

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](mailto:news@auditorgen.state.pa.us).