



**RECORDER OF DEEDS  
LACKAWANNA COUNTY  
EXAMINATION REPORT  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2011**

Released July 2013

**COMMONWEALTH OF PENNSYLVANIA**  
**EUGENE A. DEPASQUALE - AUDITOR GENERAL**  
**DEPARTMENT OF THE AUDITOR GENERAL**





RECORDER OF DEEDS  
LACKAWANNA COUNTY  
EXAMINATION REPORT  
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Commonwealth of Pennsylvania  
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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 Recorder of Deeds, Lackawanna County, Pennsylvania (County Officer), for the period January 1, 2008 to December 31, 2011, 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, 2011, 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:

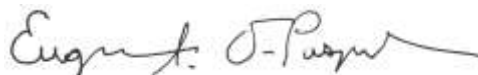
- Bank Deposit Slips Were Not Validated.

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.

Independent Auditor's Report (Continued)

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.

January 10, 2013

**EUGENE A. DEPASQUALE**  
Auditor General

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RECORDER OF DEEDS  
 LACKAWANNA COUNTY  
 REALTY TRANSFER TAXES  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2008 TO DECEMBER 31, 2011

Receipts:

Realty Transfer Taxes (Note 2)	\$ 17,898,644
Commissions (Note 3)	<u>(178,986)</u>
Net Receipts	17,719,658
Disbursements to Commonwealth (Note 4)	<u>(17,794,925)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	(75,267)
Examination adjustments (Note 6)	<u>75,277</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2008 to December 31, 2011	<u><u>\$ 10</u></u>

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

RECORDER OF DEEDS  
 LACKAWANNA 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, 2011

Receipts:

Writ Taxes	\$	69,881
Judicial Computer System/Access To Justice Fees		<u>1,542,383</u>
Total Receipts (Note 2)		1,612,264
Commissions (Note 3)		<u>(2,096)</u>
Net Receipts		1,610,168
Disbursements to Commonwealth (Note 4)		<u>(1,610,176)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		(8)
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2008 to December 31, 2011	\$	<u><u>(8)</u></u>

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



RECORDER OF DEEDS  
LACKAWANNA COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2011

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  
LACKAWANNA COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
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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>\$ 17,794,925</u>
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Writ Taxes And Judicial Computer System/Access To Justice Fees

Total disbursements are comprised as follows:

Recorder of Deeds checks issued to:

Department of Revenue	<u>\$ 1,610,176</u>
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5. Balance Due Commonwealth (County) For The Period January 1, 2008 To December 31, 2011

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.

6. Examination Adjustment – Realty Transfer Tax Statement

In April 2010 \$75,277 was deposited into the wrong account and swept by the Department of Revenue. In May of 2010, the amount was returned by the Department of Revenue and removed from the account by the Recorder of Deeds.

7. County Officer Serving During Examination Period

Evelyn Rafalko-McNulty served as Recorder of Deeds during the period January 1, 2008 to December 31, 2011.

RECORDER OF DEEDS  
LACKAWANNA COUNTY  
FINDING AND RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2011

Finding - Bank Deposit Slips Were Not Validated

Our examination of the office's accounting records disclosed that the office copy of the bank deposit slip was not validated by the bank. 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 should be brought to the bank to be validated.

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

The office was not aware of the potential internal control weaknesses caused by not having a validated deposit slip.

Recommendation

We recommend that the office secure the bank's validation on the office's copy of the deposit slip.

Subsequent to the examination period exit conference date, the auditee complied with our recommendation.

Management's Response

The County Officer responded as follows:

I take issue with the finding in the audit that the bank deposit slips were not validated by the bank by breaking each deposit down by cash and checks. Since you had brought this to our attention the concern of your office has been addressed. Had it been brought to my attention in my last audit of January 1, 2005 to December 31, 2007 it would have been addressed immediately with our bank as it was during this audit.

It should also be noted that our bank First National Community Bank was given 60 random dates to verify the deposits to break down by cash and checks. The information they provided to you were in line with the information we had on hand in our office records.

RECORDER OF DEEDS  
LACKAWANNA COUNTY  
FINDING AND RECOMMENDATION  
FOR THE PERIOD  
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Finding - Bank Deposit Slips Were Not Validated (Continued)

Management's Response (Continued)

As you are aware, the Recorder of Deeds serves as a "Collection Agent" for the Pennsylvania Department of Revenue with regards to the collection of Pennsylvania Realty Transfer Tax as well as Writ Tax on recorded documents. In addition we serve as a "Collection Agent" for the AOPC with the ACJ/JCS funds.

Our collection methods and the procedures to follow are written in detail in *The Recorder of Deeds Collection Agent Manual for Pennsylvania Realty Transfer Tax*. The last revised edition is dated March 2008.

In addition, the Pennsylvania Recorder of Deeds Association (PRODA), of which I serve as Secretary, meet semi-annually. . . . I have reviewed the handouts and materials distributed at each meeting by the former and current Director, Bureau of Individual Taxes, Report Examination Unit, Department of Revenue, and the issue of having our banks validate the cash and check amounts was never addressed.

I feel this finding is unfair and unjust since as Recorders we were never notified or instructed to require our banks to verify the deposits in this manner. I speak for my office when I say that we follow the directions and instructions given to us by the Department of Revenue. ***How is it possible for this issue to be a finding in our audit when we were never instructed to validate the deposits in this NEW manner?*** I do not dispute the procedure I just feel we should have been made aware of the requirement set forth by either the PA Auditor General or the PA Department of Revenue.

Auditor's Conclusion

We appreciate the Recorder of Deeds' concerns regarding this issue. However, the Department of the Auditor General does not set forth the required procedures for the Recorder of Deeds' office to follow. We will determine if the Recorder of Deeds' complied with our recommendation during our next examination.

RECORDER OF DEEDS  
LACKAWANNA COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2011

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 Evelyn Raflako-McNulty      Recorder of Deeds

The Honorable Gary DiBileo                      Controller

The Honorable Jim Wansacz                      Chairman 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).