



**RECORDER OF DEEDS
WASHINGTON COUNTY
EXAMINATION REPORT
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2010**

Released November 2013

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 Recorder of Deeds, Washington County, Pennsylvania (County Officer), for the period January 1, 2009 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, 2009 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 deficiency described in the finding below to be a significant deficiency in internal control over the reporting on the Statements:

- Inadequate Internal Controls Over The Bank Account.

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 weakness. 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.

October 12, 2012

EUGENE A. DEPASQUALE
Auditor General

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RECORDER OF DEEDS
WASHINGTON COUNTY
REALTY TRANSFER TAXES
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2010

Receipts:

Realty Transfer Taxes (Note 2)	\$ 10,294,966
Disbursements to Commonwealth (Note 4)	<u>(10,298,241)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	(3,275)
Examination adjustments (Note 7)	<u>6,127</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2009 to December 31, 2010	<u><u>\$ 2,852</u></u>

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

RECORDER OF DEEDS
 WASHINGTON COUNTY
 WRIT TAXES AND JUDICIAL COMPUTER SYSTEM/ACCESS TO JUSTICE FEES
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2009 TO DECEMBER 31, 2010

Receipts:

Writ Taxes	\$	47,378
Judicial Computer System/Access To Justice Fees		<u>934,244</u>
Total Receipts (Note 2)		981,622
Commissions (Note 3)		<u>(1,421)</u>
Net Receipts		980,201
Disbursements to Commonwealth (Note 4)		<u>(980,438)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		(237)
Examination adjustments (Note 7)		<u>(237)</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2009 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
WASHINGTON COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2009 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%

Commissions of \$102,950 for Realty Transfer Taxes were paid to the County by the Department of Revenue which are not reflected in the Statement.

RECORDER OF DEEDS
WASHINGTON COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2009 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>\$ 10,298,241</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>\$ 980,438</u>
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5. Balance Due Commonwealth (County) For The Period January 1, 2009 To December 31, 2010

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

RECORDER OF DEEDS
WASHINGTON COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2010

6. Reconciliation Of Settled Reports – Realty Transfer Taxes

The following presents a reconciliation of monthly reports settled by the Department of Revenue for the period January 1, 2009 to December 31, 2010:

Date of Summary of Collections Report	Balance Due Settled Reports Commonwealth (County)	Adjustments	Adjusted Balance Due Commonwealth (County)
2009			
January	\$ (6,127)	\$ -	\$ (6,127)
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	(1,620)	-	(1,620)
November	1,620	-	1,620
December	-	-	-
2010			
January	-	-	-
February	-	-	-
March	66,960	-	66,960
April	(66,960)	-	(66,960)
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	(4,305)	-	(4,305)
November	6,370	-	6,370
December	787	-	787
Balance due Commonwealth (County) per settled reports			(3,275)
Examination adjustments (Note 7)			6,127
Adjusted balance due Commonwealth (County) for the period of January 1, 2009 to December 31, 2010			<u>\$ 2,852</u>

RECORDER OF DEEDS
WASHINGTON COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2010

7. Examination Adjustment - Realty Transfer Taxes

The examination adjustment of \$6,127 was the result of a \$1,623 credit due the county for the prior audit January 1, 2005 to December 31, 2008 and a \$7,750 NSF check in December 2008 that was made good in January 2009.

Examination Adjustment - Writ Taxes And Judicial Computer System And Access To Justice Fees

During our prior audit, January 1, 2005 to December 31, 2008, we determined that there was a balance due the Commonwealth of \$237. This balance due was paid to the Department of Revenue in May 2010.

8. County Officer Serving During Examination Period

Deborah Bardella served as Recorder of Deeds during the period January 1, 2009 to December 31, 2010.

RECORDER OF DEEDS
WASHINGTON COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2010

Finding - Inadequate Internal Controls Over The Bank Account

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

- The office did not maintain a book balance in the check register.
- The office did not reconcile bank statements to the book balance monthly.
- The office did not identify cash on hand with the associated Liability.

A good system of internal controls ensures that:

- A running book balance is maintained in its check register.
- Bank statements are reconciled to the book balance on a monthly basis and any discrepancies are immediately investigated and resolved.
- The ending adjusted bank balance is reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the bank account of the office 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 bank accounts, the possibility of funds being lost or misappropriated increases significantly.

Recommendation

We recommend that the Recorder of Deeds establish and implement internal controls as noted above.

RECORDER OF DEEDS
WASHINGTON COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2010

Finding - Inadequate Internal Controls Over The Bank Account (Continued)

Management's Response

The County Officer responded as follows:

The oral comment has to do with monthly transmittal amounts which you have indicated were not deposited (as e-files) daily or as indicated some as many as 9 days late into the next month. I am disputing this fact as these particular deposits, and every other deposit, is made on a daily basis in this office. These deposits became an issue when an employee with the Department of Revenue could not reconcile their monthly reports and thus we began together an investigation as to why the State did not have these deposits. Having deposited this revenue in our local bank, we were able to fulfill our monthly duty to disperse said funds without any issue. The Department of Revenue employee was showing in their records that they did not receive this revenue because of a bank error that did not transfer immediately these funds. Our office was not aware or involved in that step. So at this point, I take issue with your findings. The monies indeed were deposited timely.

You would prefer that I maintain a book balance for the General and State fund accounts. This issue has only been presented in the past few years, most likely because it will save time and research for your auditors. As much as I would love to help do your work, I neither have the time or resources to assist you in this manner. Never has money been mismanaged or missing from this department and that for me is the bottom line.

As a side note, I wonder why your reports do not make mention of the numerous times over the years, the State has withdrawn from my State account, more revenue that I ever deposited. I imagine the auditor would not have an oral comment on that issue.

Auditor's Conclusion

The county officer believes that it is not necessary to maintain a running book balance for all bank accounts. However, we believe that a running book balance should be maintained for all bank accounts in the Office. An adequate system of internal controls over the bank account is necessary to ensure that all funds collected are safeguarded against loss or theft. Adequate internal controls should include maintaining a running bank balance and reconciling this balance to the monthly bank statement and a liability report to ensure the accountability of all funds.

RECORDER OF DEEDS
WASHINGTON COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2009 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 Deborah Bardella	Recorder of Deeds
The Honorable Michael Namie	Controller
The Honorable Larry Maggi	Chairperson of the Board of Commissioners

This report is a matter of public record and is available online at 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.