

COMPLIANCE AUDIT

Recorder of Deeds Cambria County, Pennsylvania For the Period January 1, 2017 to December 31, 2019

2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have conducted a compliance audit of the Recorder of Deeds, Cambria County, Pennsylvania (County Officer), for the period January 1, 2017 to December 31, 2019, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d).

The objective of the audit was to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported, and promptly remitted and to provide a report to the Department of Revenue to allow the Department of Revenue to state and settle the County Officer's account. Our audit was limited to areas related to the objective identified above and was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

The County Officer is responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted. The County Officer is also responsible for complying with those laws and regulations. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

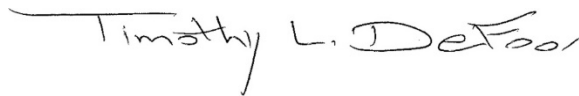
Based on our audit procedures, we conclude that, for the period January 1, 2017 to December 31, 2019, the County Officer, in all significant respects, complied with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted, except as noted in the finding listed below and discussed later in this report:

- Inadequate Internal Controls Over The Bank Account

This report includes a summary of the County Officer's receipts and disbursements of funds collected on behalf of the Commonwealth (summary). We obtained data representing the County Officer's receipts and disbursements from the Pennsylvania Department of Revenue, which obtains data from each of the Commonwealth's recorder of deeds offices, and used the data to create the summary in the format required by the Department of Revenue. We also evaluated the accuracy of the data as part of our audit to conclude on the County Officer's compliance with certain state laws and regulations as described in the previous paragraph. Any adjustments that we considered necessary based on our audit work are disclosed in the *Audit Adjustments* line of the summary; however, the scope of our audit does not include the issuance of an opinion on the accuracy of the amounts reported in the summary.

The purpose of this report is to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported, and promptly remitted. This report is not suitable for any other purposes.

The contents of this report were discussed with the management of the County Officer and, where appropriate, their response has been included in the report. We appreciate the courtesy extended by the Recorder of Deeds, Cambria County, to us during the course of our audit. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending from the start of the name.

September 29, 2021

Timothy L. DeFoor
Auditor General

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Background..... | 1 |
| Summaries Of Receipts And Disbursements: | |
| Realty Transfer Taxes..... | 3 |
| Writ Taxes And Judicial Computer System/Access To Justice Fees | 4 |
| Finding And Recommendation: | |
| Finding - Inadequate Internal Controls Over The Bank Account | 5 |
| Report Distribution | 7 |

RECORDER OF DEEDS
CAMBRIA COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2019

The Department of Auditor General is mandated by Article IV, Section 401(b) and (d) of *The Fiscal Code* (Act of April 9, 1929, P.L.343, No. 176), 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.

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 of \$.50 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 of \$35.50 imposed on all petitions for grant of letters, and first filings in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts. Effective October 30, 2017, Act 40 and Act 44 increased the fee to \$40.25.

Total disbursements for the audit period are comprised as follows:

Realty Transfer Taxes

| | |
|--|---------------------|
| Deposits into the Department of Revenue's cash management account | <u>\$ 6,122,808</u> |
|--|---------------------|

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

Writ Taxes And Judicial Computer System/Access To Justice Fees

| | |
|-------------------------------------|---------------------|
| Recorder of Deeds checks issued to: | |
| Department of Revenue | <u>\$ 1,461,978</u> |

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

RECORDER OF DEEDS
CAMBRIA COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2019

Ray Wendekier served as Recorder of Deeds during the period January 1, 2017 to December 31, 2019.

The summaries 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 summaries 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.

RECORDER OF DEEDS
 CAMBRIA COUNTY
 SUMMARY OF RECEIPTS AND DISBURSEMENTS – REALTY TRANSFER TAXES
 FOR THE PERIOD
 JANUARY 1, 2017 TO DECEMBER 31, 2019

Receipts:

| | | |
|---|----|--------------------|
| Realty Transfer Taxes | \$ | 6,184,655 |
| Commissions | | <u>(61,847)</u> |
| Net Receipts | | 6,122,808 |
| Disbursements to Commonwealth | | <u>(6,122,808)</u> |
| Balance due Commonwealth (County) per settled reports | | - |
| Audit adjustments | | <u>-</u> |
| Adjusted balance due Commonwealth (County) for the period January 1, 2017 to December 31, 2019 | \$ | <u><u>-</u></u> |

RECORDER OF DEEDS
 CAMBRIA COUNTY
 WRIT TAXES AND JUDICIAL COMPUTER SYSTEM/ACCESS TO JUSTICE FEES
 SUMMARY OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2017 TO DECEMBER 31, 2019

Receipts:

| | | |
|---|----|--------------------|
| Writ Taxes | \$ | 27,187 |
| Judicial Computer System/Access To Justice Fees | | <u>1,435,607</u> |
| Total Receipts | | 1,462,794 |
| Commissions | | <u>(816)</u> |
| Net Receipts | | 1,461,978 |
| Disbursements to Commonwealth | | <u>(1,461,978)</u> |
| Balance due Commonwealth (County) per settled reports | | - |
| Audit adjustments | | <u>-</u> |
| Adjusted balance due Commonwealth (County) for the period January 1, 2017 to December 31, 2019 | \$ | <u><u>-</u></u> |

RECORDER OF DEEDS
CAMBRIA COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2019

Finding - Inadequate Internal Controls Over The Bank Account

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

- The office did not maintain a running balance on the check register.
- Monthly bank reconciliations were not prepared.
- There was a \$5,358 difference between the adjusted bank balance and the adjusted book balance that could not be explained.
- There was no accountability over undisbursed funds. Recorded obligations exceeded funds on hand by approximately \$243,083. Because the office did not maintain a checkbook balance, the office did not reconcile the check register balance to the undisbursed funds report.

A good system of internal controls ensures that:

- A check register is maintained and compared to the reconciled check book balance to ensure adequate accountability over all funds.
- Bank statements are properly reconciled to the book balance on a monthly basis
- The ending adjusted bank balances are reconciled with liabilities on a monthly basis and any discrepancies are immediately investigated and resolved. Since the bank account is essentially escrow an 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.

The current officeholder could not explain these deficiencies and stated that all of the prior officeholder's staff left when she took office so no one was available to explain the deficiencies.

Recommendation

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

RECORDER OF DEEDS
CAMBRIA COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2019

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

Management's Response

No formal response was offered at this time.

Auditor's Conclusion

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

RECORDER OF DEEDS
CAMBRIA COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2019

This report was initially distributed to:

The Honorable C. Daniel Hassell
Secretary
Pennsylvania Department of Revenue

The Honorable H. Geoffrey Moulton, Jr.
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

The Honorable Melissa Kimla
Recorder of Deeds

The Honorable Ed Cernic, Jr.
Controller

The Honorable Thomas C. Chernisky
President of the Board of Commissioners

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.