



**RECORDER OF DEEDS/  
REGISTER OF WILLS**

**ADAMS 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**





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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/Register of Wills, Adams County, Pennsylvania (County Officer), for the period January 1, 2008 to December 31, 2012, 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, 2012, 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 Receipts.
- Inadequate Internal Controls Over Computer System.

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 of the deficiencies 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.



**EUGENE A. DEPASQUALE**  
Auditor General

July 17, 2013

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RECORDER OF DEEDS  
ADAMS 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)	\$ 8,091,378
Commissions (Note 3)	<u>(80,914)</u>
Net Receipts	8,010,464
Disbursements to Commonwealth (Note 4)	<u>(8,010,464)</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  
 ADAMS 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	\$	28,080
Judicial Computer System/Access To Justice Fees		<u>628,312</u>
Total Receipts (Note 2)		656,392
Commissions (Note 3)		<u>(842)</u>
Net Receipts		655,550
Disbursements to Commonwealth (Note 4)		<u>(655,550)</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.

REGISTER OF WILLS  
ADAMS COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

Receipts:

Inheritance Taxes	\$	14,197,338
Judicial Computer System/Access To Justice Fees		<u>16,873</u>
Total Receipts (Note 2)		14,214,211
Disbursements and credits to Commonwealth (Note 4)		<u>(14,214,211)</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/  
REGISTER OF WILLS  
ADAMS 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

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. These fees were increased to \$23.50 for the period December 8, 2009 to December 31, 2014.

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.

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

2. Receipts (Continued)

Register Of Wills (Continued)

- 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. 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/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

Register of Wills commissions of \$123,511 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  
ADAMS COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

4. Disbursements And Credits

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	\$ 8,010,464
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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	\$ 655,550
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RECORDER OF DEEDS/  
 REGISTER OF WILLS  
 ADAMS COUNTY  
 NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2008 TO DECEMBER 31, 2010

4. Disbursements And Credits (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 and credits are comprised as follows:

Deposits into the Department of Revenue's cash management account	\$ 14,195,323
Credits issued by the Department of Revenue	2,015
Checks issued to the Department of Revenue for Judicial Computer System/Access To Justice Fees	<u>16,873</u>
Total	<u><u>\$ 14,214,211</u></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

Linda K. Myers served as Recorder of Deeds/Register of Wills during the period January 1, 2008 to December 31, 2010.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
ADAMS COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 1 - Inadequate Internal Controls Over Receipts

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

- Cash receipts were not always deposited when received, but were held for change-making purposes. It is the office's policy to keep a \$50 starting balance in the cash drawers for change-making purposes. On occasions when the office gives out more cash than collected, the office does not have enough cash to keep the \$50 balance in the drawers. When the cash drawers are below the \$50, the Recorder of Deeds/Register of Wills stated that the office will, "pull either a check from the amount of cash that is needed to make \$50 in the cash drawer or [pull] the smallest check over the amount that is needed in the cash drawer."
- Cash drawer keys are kept in an unlocked drawer behind the counter and a duplicate key to the cash drawers is kept in the Recorder of Deeds/Register of Will's office in an unlocked drawer.
- There were 10 out of 50 deposits tested that 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. We were able to substantiate seven out of ten deposits in question with back up documentation.
- Change is given for overpayments paid for by checks.

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:

- Receipts are recorded in the same manner as payments are received (i.e., cash, check, money order). Any discrepancies should be immediately investigated and resolved. In addition, checks should not be used as a substitute for cash in order to keep \$50 in cash drawers.
- Cash drawer keys should be kept in a secure location.
- The amount of each check and the total amount of cash deposited are identified on the deposit slip.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
ADAMS COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 1 - Inadequate Internal Controls Over Receipts (Continued)

- Change should not be given for transactions paid for by checks. If the amount collected exceeds the amount due, a refund check should be disbursed to the remitter.

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.

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:

Keys are no longer used to open cash drawers. New cash drawers have been installed that are compatible with the software package.

After consulting with my County Controller and office solicitor, this office in the near future will not be giving change for overpayment on checks. Implementing this procedure would eliminate cash receipts not always deposited when received and mix of cash and checks not agreeing with accounting records.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
ADAMS COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 2 - Inadequate Internal Controls Over Computer System

The Adams County Recorder of Deeds/Register of Wills (County) uses software purchased from and supported by an outsider service organization (Vendor) to account for transactions. The Vendor has remote access to the County's computer system and data. The County initiates and approves transactions from remote terminals in the County. These transactions are then transmitted electronically to the Vendor's computer system. The Vendor is responsible for processing all of the transactions and producing the necessary reports and accounting entries to record the receipt and distribution of funds and to prepare the financial statements.

During discussions with Vendor personnel, we learned that the Vendor has the ability to make changes to the County's data in a manner that would not be recorded through the normal accounting processes and, therefore, would not generate a normal examination trail.

We also noted the following weaknesses:

- The contract agreement between the County and the Vendor relieves the Vendor of any liability concerning loss of data or system functionality that may be caused by the Vendor's actions. The contract states, in part, "In no event will licensor be liable for consequential damages even if licensor has been advised of the possibility of such damages".
- The Vendor is using group user IDs and passwords instead of unique user IDs and passwords for each employee. Use of the group user IDs eliminates the ability to isolate and track the Vendor employee(s) who changed the County's data.
- The Vendor is not required to notify the County of which Vendor employees have the authority to access the County's data.
- The County has not obtained legal counsel about how to protect the County's interests in the event that errors or fraud occur when the Vendor employees access the County's system and data.

Effective security policy and practice requires the County's approval and monitoring of any computer data changes made by the Vendor, particularly because of the Vendor's access to critical applications. Furthermore, to ensure confidentiality, passwords should be changed periodically and not exchanged between employees.

According to the Computer Emergency Response Team (CERT) of Carnegie Mellon University, inadequate contractor security policies and practices can result in undetected intrusions or security violations, lack of data integrity, and loss of privacy.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
ADAMS COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 2 - Inadequate Internal Controls Over Computer System (Continued)

These conditions existed because the County failed to establish adequate internal controls over its computer system.

Recommendations

We recommend:

- That the County establish procedures to periodically generate monitoring reports that include the date, time, reason for change(s), change(s) made, and who made the change(s). The County should routinely review these reports to determine that access was appropriate and that data was not improperly altered.
- That the County should continue to take prudent steps to properly secure their production servers from unauthorized access using the remote access software installed on their system. We recommend consideration of security practices published by respected authorities in the field, such as the CERT Security Module entitled:

Outsourcing Managed Security Services  
(<http://www.cert.org/archive/pdf/omss.pdf>)

- That the County negotiate an updated contract and software maintenance agreement with the Vendor. During this process the County's legal counsel should consider how to protect the County's interests in the event that errors or fraud occur as a result of Vendor employees accessing the County's data. Further, in accordance with the CERT document cited above, the following computer security issues should be considered for inclusion in the contract:
  - Assurances that vulnerabilities to known forms of attack have been addressed in the contractor software (i.e., all security patches have been updated and applied), assertions that contractor software is installed and configured to operate securely, and warranties that no malicious code (i.e., Trojan Horses) or viruses exist in contractor software.



RECORDER OF DEEDS/  
REGISTER OF WILLS  
ADAMS COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 2 - Inadequate Internal Controls Over Computer System (Continued)

Recommendations (Continued)

- The remote access method, the user authentication process, and a requirement that the contractor communicate securely with the County's site when operating remotely.
- The ability to restrict systems administrator-level access to authorized users, as well as the ability to log appropriate activities for purposes of detecting intrusions and attempted intrusions.
- A recently completed security evaluation of the contractor encompassing the technology being selected.
- A non-disclosure agreement if the contractor may encounter proprietary information on the County's systems.

Management's Response

The County Officer responded as follows:

My vendor, Cott Systems, is using a service that requires using individual login credentials. Each time someone logs into the Recorder of Deeds or Register of Wills system, the login name, and session begins time and session end time is recorded.

My vendor has supplied me with a list of individuals that currently have established accounts with the remote access service that is utilized to connect to the County server. Also, when my office calls for support, we are given a ticket number which gives a summary of the issue. When the issue is resolved my office receives a customer support survey which lists the ticket number and summary of issue or a phone call from the vendor depending on issue.

I have met with my County solicitors and made them aware of the written finding for the computer system in the event that errors or fraud would occur. They intend to address this in the future. All new contracts are reviewed by the County Solicitors.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
ADAMS COUNTY  
COMMENT  
FOR THE PERIOD  
JANUARY 1, 2008 TO DECEMBER 31, 2010

Comment - Compliance With Prior Examination Recommendation

During our prior examination, we recommended:

- That the office adhere to a good system of internal accounting controls by requiring employees of the office to sign on to computers by using their own individual User IDs so that each transaction can be identified with the employee processing the transaction.

During our current examination, we noted that the office did comply with our recommendation.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
ADAMS 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 Courts  
Administrative Office of Pennsylvania Courts

The Honorable Linda K. Myers	Recorder of Deeds/Register of Wills
The Honorable Steve Renner	Controller
The Honorable George A. Weikert	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).