

COMPLIANCE AUDIT

Recorder of Deeds/ Register of Wills Monroe County, Pennsylvania For the Period January 1, 2016 to December 31, 2019

December 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
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/Register of Wills, Monroe County, Pennsylvania (County Officer), for the period January 1, 2016 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 Offices' 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 Offices are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the County Offices comply 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 Offices are 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, 2016 to December 31, 2019, the County Offices, 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 Accountability Over Funds Held In Escrow - Recurring.

This report includes summaries of the County Offices' receipts and disbursements of funds collected on behalf of the Commonwealth (summaries). We obtained data representing the County Offices' receipts and disbursements from the Pennsylvania Department of Revenue, which obtains data from each of the Commonwealth's recorder of deeds and register of wills offices, and used the data to create the summaries 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 Offices' 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 summaries; however, the scope of our audit does not include the issuance of an opinion on the accuracy of the amounts reported in the summaries.

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 Offices and, where appropriate, their response has been included in the report. We appreciate the courtesy extended by the Recorder of Deeds/Register of Wills, Monroe 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.



Eugene A. DePasquale
Auditor General

November 5, 2020

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RECORDER OF DEEDS/
REGISTER OF WILLS
MONROE COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2016 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 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 \$35.50 fee 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.

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.
- Judicial Computer System/Access To Justice Fees represent a \$35.50 fee 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.

RECORDER OF DEEDS/
REGISTER OF WILLS
MONROE COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Total disbursements for the audit period are comprised as follows:

Recorder Of Deeds

Realty Transfer Taxes

Deposits into the Department of Revenue's cash management account	<u>\$ 32,070,079</u>
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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. The balance does not reflect adjustments disclosed by our audit.

Writ Taxes And Judicial Computer System/Access To Justice Fees

Recorder of Deeds checks issued to:

Department of Revenue	<u>\$ 3,457,178</u>
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This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue.

RECORDER OF DEEDS/
REGISTER OF WILLS
MONROE COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Register Of Wills

Inheritance Taxes

Deposits into the Department of Revenue's cash management account	\$ 26,556,267
Credits issued by the Department of Revenue	1,747
Checks issued to the Department of Revenue for Judicial Computer System/Access To Justice Fees	<u>70,804</u>
Total	<u>\$ 26,628,818</u>

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

Josephine Ferro served as Recorder of Deeds/Register of Wills during the period January 1, 2016 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.

Record of Deeds - Realty Transfer Tax Audit Adjustment

The audit adjustment of \$7,680 represents a prior audit balance of \$90 due the Recorder of Deeds was taken in April of 2017, a total of \$6,360 of commissions for December 2016 that the office did not withhold and \$1,320 for a deed that was erroneously processed twice in February 2018.

RECORDER OF DEEDS
 MONROE COUNTY
 REALTY TRANSFER TAXES
 SUMMARY OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD
 JANUARY 1, 2016 TO DECEMBER 31, 2019

Receipts:

Realty Transfer Taxes	\$ 32,395,353
Commissions	<u>(323,954)</u>
Net Receipts	32,071,399
Disbursements to Commonwealth	<u>(32,070,079)</u>
Balance due Commonwealth (County) per settled reports	1,320
Audit adjustments	<u>(7,680)</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2016 to December 31, 2019	<u><u>\$ (6,360)</u></u>

RECORDER OF DEEDS
MONROE COUNTY
WRIT TAXES AND JUDICIAL COMPUTER SYSTEM/ACCESS TO JUSTICE FEES
SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Receipts:

Writ Taxes	\$	58,270
Judicial Computer System/Access To Justice Fees		<u>3,400,656</u>
Total Receipts		3,458,926
Commissions		<u>(1,748)</u>
Net Receipts		3,457,178
Disbursements to Commonwealth		<u>(3,457,178)</u>
Balance due Commonwealth (County) per settled reports		-
Audit adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2016 to December 31, 2019	\$	<u><u>-</u></u>

REGISTER OF WILLS
MONROE COUNTY
SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Receipts:

Inheritance Taxes	\$ 26,558,014
Judicial Computer System/Access To Justice Fees	<u>70,804</u>
Total Receipts	26,628,818
Disbursements and credits to Commonwealth	<u>(26,628,818)</u>
Balance due Commonwealth (County) per settled reports	-
Audit adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2016 to December 31, 2019	<u><u>\$ -</u></u>

RECORDER OF DEEDS/
REGISTER OF WILLS
MONROE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Finding - Inadequate Accountability Over Funds Held In Escrow - Recurring

We cited the office for inadequate accountability over funds held in escrow in our prior audit for the period January 1, 2012 to December 31, 2015. The office did not correct this issue. Our current audit disclosed that there was inadequate accountability over funds held in escrow. At December 31, 2019, funds on hand exceeded recorded obligations in the checking account by \$20,431.

This condition existed because the office failed to establish and implement an adequate system of internal controls over funds held in escrow as recommended in the prior audit report.

Good internal accounting control procedures ensure that 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 funds held in escrow, the possibility of funds being lost or misappropriated increases significantly.

The auditors had numerous discussions with the officeholder in an attempt to obtain an explanation for the overage. However, the officeholder could not explain to whom the \$20,431 was due.

Recommendations

We strongly recommend that the office attempt to identify all existing liabilities associated with the office bank account and take appropriate action. Any unidentified funds should be accounted for under normal escheat procedures. Furthermore, we recommend that the office should ensure that reconciled cash equals unpaid obligations monthly.

RECORDER OF DEEDS/
REGISTER OF WILLS
MONROE COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Finding - Inadequate Accountability Over Funds Held In Escrow - Recurring (Continued)

Management's Response

The County Officer responded as follows:

We discussed the written finding at length, and while I do understand some of the points made, I cannot fully agree with the finding. After all, there is no law that prevents us from earning fees that are not encumbered by our obligation to the state and the escrow monies are derived from different fees in that category. These funds are periodically turned over to the County. I do agree that we should do so more often and moving forward, we intend to change this process to do just that. I am in full agreement with the auditor's recommendation to do so as it is a safety precaution against possible fraud. However, since the state and county get their fees currently on a monthly/daily basis, as the case may be, I don't think this should be a finding, but a suggestion.

Auditors Conclusion:

The comments included in the officeholder's response isn't specifically responsive to the condition and recommendation included in this finding. The finding does not state that the office is prevented from earning fees; it addresses that the office should ensure that reconciled cash equals unpaid obligations monthly. As stated above, good internal accounting control procedures ensure all available funds on hand should equal unpaid obligations each month. During our next audit, we will determine if the office complied with our recommendations.

RECORDER OF DEEDS/
REGISTER OF WILLS
MONROE COUNTY
SUMMARY OF PRIOR AUDIT RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Summary Of Prior Audit Recommendation

During our prior audit, we recommended that the office:

- Establish and implement an adequate system of internal controls over the bank account.

During our current audit, the office partially complied with our recommendation. Bank reconciliations are prepared and a check register is maintained. However, liabilities still do not match the reconciled checkbook balance. Please see the current year finding for additional information.

RECORDER OF DEEDS/
REGISTER OF WILLS
MONROE COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2016 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 Courts
Administrative Office of Pennsylvania Courts

The Honorable Josephine Ferro
Recorder of Deeds/Register of Wills

The Honorable Marlo Merhige
Controller

The Honorable Sharon Laverdure
Chairperson 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.