

COMPLIANCE AUDIT

Recorder of Deeds/ Register of Wills/ Clerk of Orphans' Court Northumberland County, Pennsylvania For the Period January 1, 2017 to December 31, 2020

March 2022



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/Register of Wills/Clerk of Orphans' Court, Northumberland County, Pennsylvania (County Officer), for the period January 1, 2017 to December 31, 2020, 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 accounts. 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.

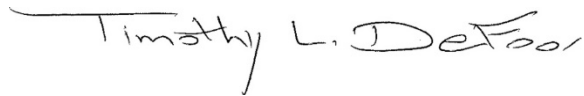
Based on our audit procedures, we conclude that, for the period January 1, 2017 to December 31, 2020, the County Officer, in all significant respects, complied with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly 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 summaries of the County Officer's' receipts and disbursements of funds collected on behalf of the Commonwealth (summaries). 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, register of wills, and clerk of orphans' court 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 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 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 Officer and, where appropriate, their response has been included in the report. We appreciate the courtesy extended by the Recorder of Deeds/Register of Wills/Clerk of Orphans' Court, Northumberland 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 dark ink, reading "Timothy L. DeFoor". The signature is written in a cursive style with a horizontal line extending from the left side of the first name.

Auditor General
January 25, 2022

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RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
NORTHUMBERLAND COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

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.

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 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.

For the purpose of reporting the collection of Judicial Computer System/Access To Justice Fees to the Department of Revenue, the office combined the Register of Wills and Clerk of Orphans' Court collections and reported them on the Clerk of Orphans' Court's monthly report. Therefore, the amount reported on the Clerk of Orphans' Court's statement of receipts and disbursements includes the fees collected for the office of the Register of Wills.

RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
NORTHUMBERLAND COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

Clerk of Orphans' Court receipts consist of monies collected on behalf of the Commonwealth. These include monies collected for the following taxes, surcharges, and fees:

- Marriage License Tax of \$.50 on all marriage licenses filed with the Clerk of Orphans' Court.
- Marriage License Application Surcharge of \$10 imposed on all marriage license applications.
- Marriage License Declaration Fees of \$13 imposed for the issuance of a marriage license or declaration of which the Commonwealth's portion \$10.
- 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.

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

\$ 7,256,393

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

\$ 1,453,393

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

RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
NORTHUMBERLAND COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

Register Of Wills

Inheritance Taxes

Deposits into the Department of Revenue's cash management account	\$ 21,596,100
Credits issued by the Department of Revenue	<u>6,420</u>
Total	<u><u>\$ 21,602,520</u></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. The balance does not reflect adjustments disclosed by our audit.

Clerk Of Orphans' Court

Clerk of Orphans' Court checks issued to:

Department of Revenue	<u><u>\$ 133,268</u></u>
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This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue.

Christina A. Mertz served as Recorder of Deeds/Register of Wills/Clerk of Orphans' Court during the period January 1, 2017 to December 31, 2020.

The summaries of receipts and disbursements provide a summary of receipts and disbursements by category. The categories and the amounts of taxes, fees, and surcharges 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/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
NORTHUMBERLAND COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

Audit Adjustment - Register of Wills Summary

The \$57,311 audit adjustment represents a \$57,307 credit from July 2020 receipts that was deposited in September 2020 and a \$4 prior audit balance due the county that was claimed in August 2019.

RECORDER OF DEEDS
NORTHUMBERLAND COUNTY
REALTY TRANSFER TAXES
SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

Receipts:

Realty Transfer Taxes	\$ 7,238,619
Disbursements to Commonwealth	<u>(7,256,393)</u>
Balance due Commonwealth (County) per settled reports	(17,774)
Audit adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2017 to December 31, 2020	<u><u>\$ (17,774)</u></u>

RECORDER OF DEEDS
NORTHUMBERLAND 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, 2020

Receipts:

Writ Taxes	\$ 23,229
Judicial Computer System/Access To Justice Fees	<u>1,430,861</u>
Total Receipts	1,454,090
Commissions	<u>(697)</u>
Net Receipts	1,453,393
Disbursements to Commonwealth	<u>(1,453,393)</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, 2020	<u><u>\$ -</u></u>

REGISTER OF WILLS
NORTHUMBERLAND COUNTY
SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

Receipts:

Inheritance Taxes	\$ 21,629,535
Disbursements and credits to Commonwealth	<u>(21,602,520)</u>
Balance due Commonwealth (County) per settled reports	27,015
Audit adjustments	<u>(57,311)</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2017 to December 31, 2020	<u>\$ (30,296)</u>

CLERK OF ORPHANS' COURT
NORTHUMBERLAND COUNTY
SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

Receipts:

Marriage License Taxes	\$ 793
Marriage License Application Surcharges	15,850
Marriage License Declaration Fees	15,850
Judicial Computer System/Access To Justice Fees	<u>100,775</u>
Total Receipts	133,268
Disbursements to Commonwealth	<u>(133,268)</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, 2020	<u><u>\$ -</u></u>

RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
NORTHUMBERLAND COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

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:

- Bank reconciliations were not prepared.
- There was no accountability over undisbursed funds. There was an adjusted bank balance of \$11,703 without a corresponding liabilities report indicating to whom the monies were due.
- There were eleven deposits that were not made timely.

A good system of internal controls ensures that:

- 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.
- All monies collected are deposited in the bank at the end of every day.

Without a good system of internal controls over the bank account, the possibility of funds being lost or misappropriated increases significantly.

These conditions existed because the office failed to establish adequate internal controls over its bank account.

Recommendation

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

However, as stated above, good internal controls require that all monies collected should be deposited in the bank at the end of every day.

RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
NORTHUMBERLAND COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

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

Management's Response

The County Officer responded as follows:

All findings and comments have been noted and discussed with the auditor.

Changes will be made as necessary to be sure bank statements on writ are reconciled monthly.

All deposits are dropped in the night deposit box after we close. If we can't get to the bank – deposits are locked in a safe until next business day.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct these issues. However, as stated above, good internal controls require that all monies collected should be deposited in the bank at the end of every day. During our next audit, we will determine if the office complied with our recommendations.

RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
NORTHUMBERLAND COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

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 Christina A. Mertz
Recorder of Deeds/Register of Wills/ Clerk of Orphans' Court

The Honorable Chris Grayson
Controller

The Honorable Samuel J. Schiccatano
Chairman 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.