

COMPLIANCE AUDIT

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

February 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Pat Browne
Acting 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, Susquehanna 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.

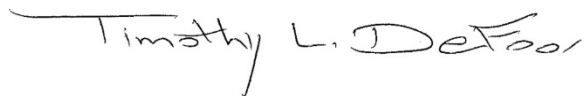
Based on our audit procedures, we conclude that, for the period January 1, 2017 to December 31, 2020, the County Officer, in all significant respects, complied with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly 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 Accounts - Recurring.

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, Susquehanna 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 to the left of the first letter.

Timothy L. DeFoor
Auditor General
December 28, 2022

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RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
SUSQUEHANNA 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.
- 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.

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
SUSQUEHANNA 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	<u>\$ 4,540,602</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.

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

Writ Taxes And Judicial Computer System/Access To Justice Fees

Recorder of Deeds checks issued to:

Department of Revenue	<u>\$ 749,154</u>
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This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue.

Register Of Wills

Deposits into the Department of Revenue's cash management account	\$ 10,843,830
Credits issued by the Department of Revenue	<u>383</u>
Total	<u>\$ 10,844,213</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.

Clerk Of Orphans' Court

Clerk of Orphans' Court checks issued to:

Department of Revenue	<u>\$ 56,805</u>
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This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue.

Michelle Estabrook 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.

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

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.

Audit Adjustment - Realty Transfer Tax

The \$2,987 audit adjustment represents a assessment error of \$1,325.00 deposited into the Realty Transfer Tax Account in December 2017 and transferred out in January 2018. In addition, \$1,661.95 was deposited into the Realty Transfer Tax Account in September 2019 in error and was transferred out in December 2019.

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

Receipts:

Realty Transfer Taxes	\$ 4,537,615
Disbursements to Commonwealth	<u>(4,540,602)</u>
Balance due Commonwealth (County) per settled reports	(2,987)
Audit adjustments	<u>2,987</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2017 to December 31, 2020	<u><u>\$ -</u></u>

RECORDER OF DEEDS
 SUSQUEHANNA 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	\$	15,482
Judicial Computer System/Access To Justice Fees		<u>734,136</u>
Total Receipts		749,618
Commissions		<u>(464)</u>
Net Receipts		749,154
Disbursements to Commonwealth		<u>(749,154)</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
SUSQUEHANNA COUNTY
SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

Receipts:

Inheritance Taxes	\$ 10,843,655
Disbursements and credits to Commonwealth	<u>(10,844,213)</u>
Balance due Commonwealth (County) per settled reports	(558)
Audit adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2017 to December 31, 2020	<u>\$ (558)</u>

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

Receipts:

Marriage License Taxes	\$	427
Marriage License Application Surcharges		8,530
Marriage License Declaration Fees		8,530
Judicial Computer System/Access To Justice Fees		<u>39,318</u>
Total Receipts		56,805
Disbursements to Commonwealth		<u>(56,805)</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
SUSQUEHANNA COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

Finding - Inadequate Internal Controls Over The Bank Accounts - Recurring

We cited the issue of inadequate internal controls over the bank accounts in the prior audit report for the period January 1, 2013 to December 31, 2016. Our current audit found that the office did not correct the issue.

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

- Bank reconciliations were not properly prepared.
- The office does not maintain a valid check register balance in the general accounts. Therefore, the bank statement balances could not be reconciled to check registers to ensure the accuracy of Commonwealth funds.
- There was inadequate accountability over funds held in escrow. The office did not maintain a schedule of cash liabilities. Therefore, we could not determine if the office has adequate accountability over funds held in escrow.

These conditions existed because the office failed to establish adequate internal controls over its bank accounts as recommended in our prior audit report.

A good system of internal controls ensures that:

- Bank statements are properly reconciled to the book balances on a monthly basis. Any discrepancies are immediately investigated and resolved.
- A valid check register balance should be maintained so that adjusted bank balances could be reconciled to the general accounts check registers.
- 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 the bank account, the possibility of funds being lost or misappropriated increases significantly

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

Finding - Inadequate Internal Controls Over The Bank Accounts - Recurring (Continued)

Recommendation

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

Management's Response

The County Officer responded as follows:

The inadequate internal controls over bank accounts finding has been rectified with the following steps to correct the deficiency by creating a flow between three people within the office to separate duties to correct the overlap in particular responsibilities.

To correct the inadequate accountability over escrow, I have created a new bank account that can accurately track and balance the account as per our software and bank statements.

The office has taken steps to update our accounting software that is used within the new policies and procedures to continue the efforts in redirecting the offices daily activities in order to adequately follow the standards of accounting guidelines.

Auditor's Conclusion

Although we appreciate the current officeholder's effort to correct these conditions. the corrective actions included in the office's response aren't specifically responsive to the condition, cause, and recommendation included in this finding. This is a recurring finding. We strongly recommend that the office take all corrective actions necessary to comply with our recommendation. During our next audit, we will determine if the office complied with our recommendation.

RECORDER OF DEEDS/REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
SUSQUEHANNA COUNTY
SUMMARY OF PRIOR AUDIT RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2017 TO DECEMBER 31, 2020

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 accounts as noted above.

During our current audit, we noted that the office did not comply with our recommendation. Please see the current year finding for additional information.

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

This report was initially distributed to:

Pat Browne
Acting 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

Ms. Rachel Carrico
Acting Recorder of Deeds/Register of Wills/Clerk of Orphans' Court

The Honorable Elizabeth M. Arnold
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.