

# COMPLIANCE AUDIT

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## Recorder of Deeds/ Register of Wills Pike County, Pennsylvania For the Period January 1, 2015 to December 31, 2019

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November 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/Register of Wills, Pike County, Pennsylvania (County Officer), for the period January 1, 2015 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 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.

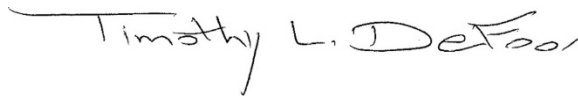
Based on our audit procedures, we conclude that, for the period January 1, 2015 to December 31, 2019 the County Officer, in all significant respects, complied with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted, except as noted in the finding listed below and discussed later in this report:

- Inadequate Internal Controls Over Computer System - Register of Wills - 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 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 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, Pike 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 horizontal line extending to the left of the first name.

October 5, 2021

Timothy L. DeFoor  
Auditor General

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RECORDER OF DEEDS/  
REGISTER OF WILLS  
PIKE COUNTY  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2015 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  
PIKE COUNTY  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2015 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>\$ 16,273,905</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.

Writ Taxes And Judicial Computer System/Access To Justice Fees

Recorder of Deeds checks issued to:

Department of Revenue	<u>\$ 1,959,608</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  
PIKE COUNTY  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2019

Register Of Wills

Inheritance Taxes

Deposits into the Department of Revenue's cash management account	\$ 16,013,148
Credits issued by the Department of Revenue	16,067
Checks issued to the Department of Revenue for Judicial Computer System/Access To Justice Fees	<u>39,084</u>
Total	<u><u>\$ 16,068,299</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.

Sharon Schroeder served as Recorder of Deeds/Register of Wills during the period January 1, 2015 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.

Audit Adjustment - Register Of Wills Summary

The \$1,717 audit adjustment represents a prior audit balance due the Commonwealth.

RECORDER OF DEEDS  
PIKE COUNTY  
REALTY TRANSFER TAXES  
SUMMARY OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2019

Receipts:

Realty Transfer Taxes	\$ 16,423,920
Commissions	<u>(164,239)</u>
Net Receipts	16,259,681
Disbursements to Commonwealth	<u>(16,273,905)</u>
Balance due Commonwealth (County) per settled reports	(14,224)
Audit adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2015 to December 31, 2019	<u><u>\$ (14,224)</u></u>



RECORDER OF DEEDS  
PIKE COUNTY  
WRIT TAXES AND JUDICIAL COMPUTER SYSTEM/ACCESS TO JUSTICE FEES  
SUMMARY OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2019

Receipts:

Writ Taxes	\$ 28,968
Judicial Computer System/Access To Justice Fees	<u>1,931,509</u>
Total Receipts	1,960,477
Commissions	<u>(869)</u>
Net Receipts	1,959,608
Disbursements to Commonwealth	<u>(1,959,608)</u>
Balance due Commonwealth (County) per settled reports	-
Audit adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2015 to December 31, 2019	<u><u>\$ -</u></u>

REGISTER OF WILLS  
PIKE COUNTY  
SUMMARY OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2019

Receipts:

Inheritance Taxes	\$ 16,028,653
Judicial Computer System/Access To Justice Fees	<u>37,367</u>
Total Receipts	16,066,020
Disbursements and credits to Commonwealth	<u>(16,068,299)</u>
Balance due Commonwealth (County) per settled reports	(2,279)
Audit adjustments	<u>1,717</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2015 to December 31, 2019	<u><u>\$ (562)</u></u>

RECORDER OF DEEDS/  
REGISTER OF WILLS  
PIKE COUNTY  
FINDING AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2019

**Finding - Inadequate Internal Controls Over Computer System - Register of Wills -  
Recurring**

We cited the issue of inadequate internal controls over the computer system in the six prior audits, with the most recent for the period January 1, 2012 to December 31, 2014. Our current audit found that the office once again did not correct this issue.

Pike County uses a service organization (Vendor) as an Application Service Provider (ASP) to account for transactions in several offices, including the Register of Wills (County). 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 office personnel, we learned that the Vendor has the ability to make changes to the County's data that would not be recorded through the normal accounting processes and, therefore, would not generate a normal audit trail.

We also noted the following weaknesses:

- Changes made by the Vendor are not requested in writing by the office.
- 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, "The client agrees that [Vendor] shall not be held liable for direct, indirect, incidental, or consequential damages arising from the use or inability to use the software."
- The Vendor has unmonitored access to the County's data. The County was not monitoring the vendor's access, nor were they receiving reports to show what data may have been altered and/or accessed.

These conditions existed because the County failed to establish adequate internal controls over its computer system and take appropriate action as recommended in our prior six audit reports.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
PIKE COUNTY  
FINDING AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2019

**Finding - Inadequate Internal Controls Over Computer System - Register of Wills -  
Recurring (Continued)**

Good internal controls and 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.

Inadequate internal controls over the computer system can result in undetected intrusions or security violations, lack of data integrity, and loss of privacy.

**Recommendations**

We strongly recommend that the office:

- 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 office should routinely review these reports to determine that access was appropriate and that data was not improperly altered.
- 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 NIST Federal Information Processing Standards Publication entitled:

*Minimum Security Requirements for Federal Information and Information Systems*  
(<https://doi.org/10.6028/NIST.SP.800-53r5>)

- 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 FIPS document cited above, the following computer security issues should be considered for inclusion in the contract:

RECORDER OF DEEDS/  
REGISTER OF WILLS  
PIKE COUNTY  
FINDING AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2019

**Finding - Inadequate Internal Controls Over Computer System - Register of Wills -  
Recurring (Continued)**

Recommendations (Continued)

- 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.
- 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.
- Always maintain an updated contract so as to provide appropriate legal recourse in the event of disputes with the Vendor.

Management's Response

The County Officer did not respond to the finding.

Auditor's Conclusion

This finding was also cited in the previous six audit reports. It is imperative that the office take all steps necessary to comply with our recommendations. During our next audit, we will determine if the office complied with our recommendations.

RECORDER OF DEEDS/  
REGISTER OF WILLS  
PIKE COUNTY  
SUMMARY OF PRIOR AUDIT RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2015 TO DECEMBER 31, 2019

Summary Of Prior Audit Recommendations

During our prior audit, we recommended that the Register of Wills office:

- 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.
- 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.
- 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.
- Always maintain an updated contract so as to provide the appropriate legal recourse in the event of disputes with the Vendor.

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

RECORDER OF DEEDS/  
REGISTER OF WILLS  
PIKE COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2015 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 Sharon Schroeder**  
Recorder of Deeds/Register of Wills

**The Honorable Matthew M. Osterberg**  
Chairman of the Board of Commissioners

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).