

# ATTESTATION ENGAGEMENT

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## Recorder of Deeds Washington County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

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July 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

### Independent Auditor's Report

The Honorable C. Daniel Hassell  
Secretary  
Pennsylvania Department of Revenue  
Harrisburg, PA 17128

We have examined the accompanying statements of receipts and disbursements (Statements) of the Recorder of Deeds, Washington County, Pennsylvania (County Officer), for the period January 1, 2014 to December 31, 2017, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d). The County Office's management is responsible for presenting these Statements in accordance with the criteria set forth in Note 1. Our responsibility is to express an opinion on the 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Statements are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the statement of receipts and disbursements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Statements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, for the period January 1, 2014 to December 31, 2017, are presented in accordance with the criteria set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Statements; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Statements. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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 internal control over reporting on the Statements or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control over reporting on the Statements was for the limited purpose of expressing an opinion on whether the Statements are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control over reporting on the Statements that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weakness.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency listed below to be a material weakness:

- Inadequate Internal Controls Over The Bank Account - Recurring.

As part of obtaining reasonable assurance about whether the Statements are free from material misstatement, we performed tests of the County Office's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report (Continued)

The examination finding contained in this report cites conditions that existed in the operation of the County Office during the previous engagement period and were not corrected during the current examination period. The County Office should strive to implement the recommendations and corrective actions noted in this report.

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.

We appreciate the courtesy extended by the Recorder of Deeds, Washington County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale  
Auditor General

July 5, 2018

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RECORDER OF DEEDS  
 WASHINGTON COUNTY  
 REALTY TRANSFER TAXES  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2014 TO DECEMBER 31, 2017

Receipts:

Realty Transfer Taxes (Note 2)	\$	42,217,213
Disbursements to Commonwealth (Note 4)		<u>(42,217,313)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		(100)
Examination adjustments (Note 6)		<u>99</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2014 to December 31, 2017	\$	<u><u>(1)</u></u>

Notes to the Statements of Receipts and Disbursements are an integral part of this report.

RECORDER OF DEEDS  
 WASHINGTON COUNTY  
 WRIT TAXES AND JUDICIAL COMPUTER SYSTEM/ACCESS TO JUSTICE FEES  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2014 TO DECEMBER 31, 2017

Receipts:

Writ Taxes	\$	89,524
Judicial Computer System/Access To Justice Fees		<u>3,410,207</u>
Total Receipts (Note 2)		3,499,731
Commissions (Note 3)		<u>(2,686)</u>
Net Receipts		3,497,045
Disbursements to Commonwealth (Note 4)		<u>(3,497,045)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2014 to December 31, 2017	\$	<u><u>-</u></u>

Notes to the Statements of Receipts and Disbursements are an integral part of this report.

RECORDER OF DEEDS  
WASHINGTON COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2017

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

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 \$23.50 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. Effective July 10, 2014, Act 126 increased the fee to \$33.50. Effective August 8, 2014, Act 113 increased the fee to \$35.50. Effective October 30, 2017, Act 40 and 44 increased the fee to \$40.25.

3. Commissions

Acting in the capacity of an agent for the Commonwealth, the Recorder of Deeds 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%

Commissions of \$422,217 for Realty Transfer Taxes were paid to the County by the Department of Revenue which are not reflected in the Statement.



RECORDER OF DEEDS  
WASHINGTON COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2017

4. Disbursements

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	<u>\$ 42,217,313</u>
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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	<u>\$ 3,497,045</u>
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5. Balance Due Commonwealth (County) For The Period January 1, 2014 To December 31, 2017

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 examination.

6. Examination Adjustment - Realty Transfer Tax

During our prior audit, January 1, 2011 to December 31, 2013, we determined that there was a balance due to the Commonwealth of \$99.00. This balance due was paid to the Department of Revenue in January 2014.

7. County Officer Serving During Examination Period

Deborah Bardella served as Recorder of Deeds during the period January 1, 2014 to December 31, 2017.

RECORDER OF DEEDS  
WASHINGTON COUNTY  
FINDING AND RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2017

**Finding - Inadequate Internal Controls Over The Bank Account - Recurring**

We cited the issue of inadequate internal controls over the bank account in our past two examinations, with the most recent being for the period January 1, 2011 to December 31, 2013. Our current examination found that the office did not correct this issue.

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

- The office did not maintain a book balance in the check register.
- Bank reconciliations were not prepared.
- The office did not identify cash on hand with the associated liabilities.

These conditions existed because the office failed to establish adequate internal controls over its bank account as recommended in our prior two examination reports.

A good system of internal controls ensures that:

- A running book balance is maintained in the check register.
- 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.

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

**Recommendation**

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

RECORDER OF DEEDS  
WASHINGTON COUNTY  
FINDING AND RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2017

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

Management's Response

No formal response was offered at this time.

Auditor's Conclusion

This is a recurring finding. It is imperative that the county officer take all steps necessary to comply with our recommendation. During our next examination, we will determine if the office complied with our recommendation.

RECORDER OF DEEDS  
WASHINGTON COUNTY  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2017

Summary Of Prior Examination Recommendation

During our prior examination, we recommended that the Recorder of Deeds:

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

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

RECORDER OF DEEDS  
WASHINGTON COUNTY  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2017

This report was initially distributed to:

**The Honorable C. Daniel Hassell**  
Secretary  
Pennsylvania Department of Revenue

**The Honorable Thomas B. Darr**  
Court Administrator of Pennsylvania  
Supreme Court of Pennsylvania  
Administrative Office of Pennsylvania Courts

**The Honorable Deborah Bardella**  
Recorder of Deeds

**The Honorable Michael Namie**  
Controller

**The Honorable Larry Maggi**  
Chairperson 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).