

REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT

MONTGOMERY COUNTY

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 5, 2004 TO JANUARY 7, 2008

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## Independent Auditor's Report

The Honorable Stephen H. Stetler  
Secretary  
Pennsylvania Department of Revenue  
Harrisburg, PA 17128

We have examined the accompanying statements of receipts and disbursements (Statements) of the Register of Wills/Clerk of Orphans' Court, Montgomery County, Pennsylvania (County Officer), for the period January 5, 2004 to January 7, 2008, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d). These Statements are the responsibility of the county office's management. Our responsibility is to express an opinion on these 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. An examination includes examining, on a test basis, evidence supporting the Statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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 present, in all material respects, the operations of the County Officer as it pertains to receipts made on behalf of the Commonwealth for the period ended January 7, 2008, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Statements and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. 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 the internal control over reporting on the Statements or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County Officer's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the County Officer's Statements that is more than inconsequential will not be prevented or detected by the County Officer's internal control. We consider the deficiencies described in the findings below to be significant deficiencies in internal control over reporting on the Statements:

- Inadequate Internal Controls Over Receipts.
- Inadequate Internal Controls Over The Computer System.

### Independent Auditor's Report (Continued)

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Statements will not be prevented or detected by the County Officer's internal control. Our consideration of the internal control over reporting on the Statements would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider all the significant deficiencies described above to be material weaknesses.

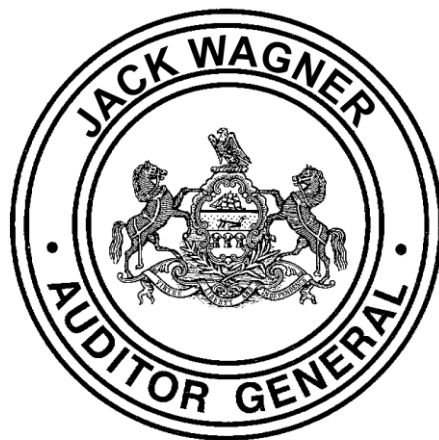
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note an other matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely  
- Clerk Of Orphans' Court.

This report is intended solely for the information and use of the Pennsylvania Department of Revenue, the Administrative Office of Pennsylvania Courts, and the County Officer and is not intended to be and should not be used by anyone other than these specified parties.

September 4, 2008

JACK WAGNER  
Auditor General



REGISTER OF WILLS  
MONTGOMERY COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 5, 2004 TO JANUARY 7, 2008

Receipts:

Inheritance Taxes (Note 2)	\$ 347,551,005
Disbursements and credits to Commonwealth (Note 4)	<u>(347,560,201)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	(9,196)
Examination adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) January 5, 2004 to January 7, 2008	<u><u>\$ (9,196)</u></u>

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

CLERK OF ORPHANS' COURT  
MONTGOMERY COUNTY  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 5, 2004 TO JANUARY 7, 2008

Receipts:

Marriage License Taxes	\$ 7,782
Marriage License Application Surcharges	157,880
Marriage License Declaration Fees	156,540
Judicial Computer System/Access To Justice Fees	<u>166,680</u>
Total Receipts (Note 2)	488,882
Disbursements to Commonwealth (Note 4)	<u>(488,361)</u>
Balance due Commonwealth (County) per settled reports (Note 5)	521
Examination adjustment (Note 7)	<u>658</u>
Adjusted balance due Commonwealth (County) January 5, 2004 to January 7, 2008	<u><u>\$ 1,179</u></u>

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



REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
MONTGOMERY COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 5, 2004 TO JANUARY 7, 2008

1. Criteria

The Statements 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 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

Register Of Wills

Receipts consist of monies collected on behalf of the Commonwealth. 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 \$10 fee imposed for the initiation of any civil action or legal proceeding, including the filing of petitions for grants of letters, and first filing in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts.

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.

REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
MONTGOMERY COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
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2. Receipts (Continued)

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:

- The Marriage License Tax is a \$.50 tax on all marriage licenses filed with the Clerk of Orphans' Court.
- The Marriage License Application Surcharge is a \$10 surcharge imposed on all marriage license applications.
- The Marriage License Declaration Fees is a \$13 fee imposed for the issuance of a marriage license or declaration and for returns thereof to the Department of Health, \$2.50 of which shall be for the use of the county where the license is issued, and \$.50 for the use of the Commonwealth (Marriage License Tax), plus \$10 (Marriage License/Declaration Fees). The statement of receipts and disbursements only reflects the portion collected on behalf of the Commonwealth.
- Judicial Computer System/Access To Justice Fees represent a \$10 fee imposed on all petitions for grant of letters, and first filings in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts.

3. Commissions

Acting in the capacity of an agent for the Commonwealth, the county office is paid a commission for collection of Inheritance Taxes. Effective January 1, 1988, the commission rate is 4.25 percent of \$1.00 to \$200,000.00 collected; 1.75 percent of \$200,000.01 to \$1,000,000.00 collected; and .5 percent of all collections in excess of \$1,000,000.00. During the period under review, the County was paid \$1,801,179 by the Department of Revenue which is not reflected in the statement of receipts and disbursements.

REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
MONTGOMERY COUNTY  
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 5, 2004 TO JANUARY 7, 2008

4. Disbursements And Credits To Commonwealth

Register Of Wills

**Inheritance Taxes**

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.

Total disbursements and credits are comprised as follows:

Deposits into the Department of Revenue's cash management account	\$ 347,504,672
Credits issued by the Department of Revenue	<u>55,529</u>
Total	<u><u>\$ 347,560,201</u></u>

Clerk Of Orphans' Court

Total disbursements are comprised as follows:

Clerk of Orphans' Court checks issued to:

Department of Revenue	<u><u>\$ 488,361</u></u>
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5. Balance Due Commonwealth (County) For The Period January 5, 2004 To January 7, 2008

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

REGISTER OF WILLS/  
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NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
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6. Reconciliation Of Settled Reports - Register Of Wills

The following presents a reconciliation of monthly reports settled by the Department of Revenue for the period January 5, 2004 to January 7, 2008:

Date of Summary of Collections Report	Balance Due Settled Reports Commonwealth (County)	Adjustments	Adjusted Balance Due Commonwealth (County)
2004			
January	\$ (12,284)	\$ 12,284 *	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
2005			
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-

REGISTER OF WILLS/  
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NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
JANUARY 5, 2004 TO JANUARY 7, 2008

6. Reconciliation Of Settled Reports - Register Of Wills (Continued)

Date of Summary of Collections Report	Balance Due Settled Reports Commonwealth (County)	Adjustments	Adjusted Balance Due Commonwealth (County)
2006			
January	\$ -	\$ -	\$ -
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
2007			
January	-	-	-
February	(9,196)	-	(9,196)
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
Balance due Commonwealth (County) per settled reports			(9,196)
Examination adjustments			
Adjusted balance due Commonwealth (County) January 5, 2004 to January 7, 2008			<u>\$ (9,196)</u>

\* - Amount represents a credit taken on the prior audit for the period January 1, 2002 to December 31, 2003.

REGISTER OF WILLS/  
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NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
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6. Reconciliation Of Settled Reports - Clerk Of Orphans' Court

<u>Date of Summary of Collections Report</u>	<u>Balance Due Settled Reports Commonwealth (County)</u>	<u>Adjustments</u>	<u>Adjusted Balance Due Commonwealth (County)</u>
2004			
January	\$ -	\$ -	\$ -
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
2005			
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	3,550	-	3,550
September	(3,010)	-	(3,010)
October	-	-	-
November	-	-	-
December	-	-	-

REGISTER OF WILLS/  
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NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD  
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6. Reconciliation Of Settled Reports - Clerk Of Orphans' Court (Continued)

Date of Summary of Collections Report	Balance Due Settled Reports Commonwealth (County)	Adjustments	Adjusted Balance Due Commonwealth (County)
2006			
January	\$ -	\$ -	\$ -
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
2007			
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	(20)	-	(20)
August	-	-	-
September	1	-	1
October	-	-	-
November	-	-	-
December	-	-	-
Balance due Commonwealth (County) per settled reports			521
Examination adjustment (Note 7)			658
Adjusted balance due Commonwealth (County) January 5, 2004 to January 7, 2008			\$ 1,179

REGISTER OF WILLS/  
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7. Examination Adjustment - Clerk Of Orphans' Court

The examination adjustment represents interest earned on Commonwealth funds during the examination period that was not remitted to the Department of Revenue.

8. County Officer Serving During Examination Period

Frances Pierce served as Register of Wills/Clerk of Orphans' Court during the period January 5, 2004 to January 7, 2008.



REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
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FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 5, 2004 TO JANUARY 7, 2008

Finding No. 1 - Inadequate Internal Controls Over Receipts

Our examination revealed significant weaknesses in the internal controls over receipts. We noted the following discrepancies:

- Twelve Register of Wills' cash receipts tested had a mix of cash and checks recorded on the deposit slips that did not agree with the mix of cash and checks recorded on the accounting records.
- Seventeen Clerk of Orphans' Court's cash receipts tested had a mix of cash and checks recorded on the deposit slips that did not agree with the mix of cash and checks recorded on the accounting records.
- Of 60 Register of Wills' receipts tested, 9 were not deposited on the same day as collected. The time lapse from the date of receipt to the subsequent date of deposit ranged from two days to six days.
- Of 30 Clerk of Orphans' Court's receipts tested, 9 were not deposited on the same day as collected. The time lapse from the date of receipt to the subsequent date of deposit ranged from two days to five days.
- The office copy of the bank deposit slip was not validated by the bank for 18 Register of Wills deposit slips and 2 Clerk of Orphans' Court deposit slips.

It should be noted that the testing of the Register of Wills' and Clerk of Orphans' Court's receipts indicated that the total amount receipted equaled the total amount deposited.

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

Good internal accounting controls ensure that:

- Receipts are recorded in the same manner as payments are received (i.e., cash, check, money order). Any discrepancies should be immediately investigated and resolved.
- All monies collected are deposited in the bank at the end of every day.

REGISTER OF WILLS/  
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FINDINGS AND RECOMMENDATIONS  
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Finding No. 1 - Inadequate Internal Controls Over Receipts (Continued)

- The amount of each check and the total amount of cash deposited are identified on the deposit slip. The office copy of each deposit should be brought to the bank to be validated.

Without a good system of internal controls over funds received by the office, the potential is increased that funds could be lost, stolen, or misappropriated.

Recommendation

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

Management's Response

No formal response was offered at this time.

REGISTER OF WILLS/  
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FINDINGS AND RECOMMENDATIONS  
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Finding No. 2 - Inadequate Internal Controls Over The Computer System

Our review of the computer system revealed that the accounting data along with the software used by the office was removed in the Spring of 2005 by the bookkeeper without proper authorization.

Although the accounting data and software were removed, we were able to perform our examination procedures from manual (paper) backups.

This condition existed because the office failed to establish adequate internal controls over its computer system and data.

A good system of internal control ensures that only authorized personnel can install or remove the software. All computer data should be backed up to either another system or alternative media such as backup disks to ensure that recovery is possible on a timely basis.

Without a good system of internal controls over the computer system, the potential is increased that illegal or destructive software could be installed, data altered or misused, or monies could be misappropriated.

Recommendation

We recommend that the office ensure that all computer systems are protected against the unauthorized installation or removal of programs and that all data is secured and backed up on a regular schedule.

Management's Response

No formal response was offered at this time.

CLERK OF ORPHANS' COURT  
MONTGOMERY COUNTY  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 5, 2004 TO JANUARY 7, 2008

Finding No. 3 - Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely -  
Clerk Of Orphans' Court

Our examination disclosed that 20 of 49 payments made to the Department of Revenue, for the Commonwealth's portion of fines and costs collected, were not transmitted within the time period required.

The Department of Revenue issues instructions for preparing the monthly report and submitting the fines and costs due on the back of the monthly report entitled "Summary of Collections Report for Fines and Costs." These instructions indicate that the report must be submitted no later than the 5th of the month following collection. Effective, June 26, 2006, the report must be submitted no later than the 10th of the month following collection.

The following schedule identifies those funds which were transmitted late:

<u>Month/Year</u>	<u>Date Payment Due</u>	<u>Postmark Date</u>	<u>Amount Due</u>
May 2005	06/06/05	06/20/05	\$ 12,921.00
Jun 2005	07/05/05	07/22/05	12,976.00
Aug 2005	09/06/05	10/11/05	3,010.00
Aug 2005	09/06/05	11/12/05	10,386.50
Sep 2005	10/07/05	10/11/05	16,112.50
Oct 2005	11/05/05	12/12/05	10,296.50
Nov 2005	12/05/05	01/11/06	7,376.50
Dec 2005	01/05/06	01/11/06	7,174.00
Feb 2006	03/06/06	03/14/06	10,399.50
Mar 2006	04/05/06	04/18/06	9,918.50
May 2006	06/05/06	06/09/06	12,771.50
Dec 2006	01/10/07	01/12/07	6,796.50
Jan 2007	02/12/07	02/26/07	6,236.50
Feb 2007	03/12/07	03/15/07	6,262.50
Mar 2007	04/10/07	04/12/07	8,911.00
May 2007	06/11/07	06/12/07	12,057.50
Jun 2007	07/10/07	07/17/07	11,680.50
Aug 2007	09/10/07	09/11/07	13,934.00
Oct 2007	11/13/07	11/20/07	6,789.00
Nov 2007	12/10/07	12/21/07	5,365.75
Total			<u>\$ 191,375.75</u>

CLERK OF ORPHANS' COURT  
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Finding No. 3 - Commonwealth's Portion Of Revenue Was Not Always Transmitted Timely -  
Clerk Of Orphans' Court (Continued)

Section 901 of *The Fiscal Code* requires that agents of the Commonwealth, transmitting collections to the Department of Revenue, remit collections which are postmarked no later than the fifth day following the month of collection. Any remittances postmarked or dated later than the required due date may be subject to a 10 percent penalty for which the agent is personally liable.

The above-noted conditions resulted in the Department of Revenue not receiving Commonwealth monies in a timely manner.

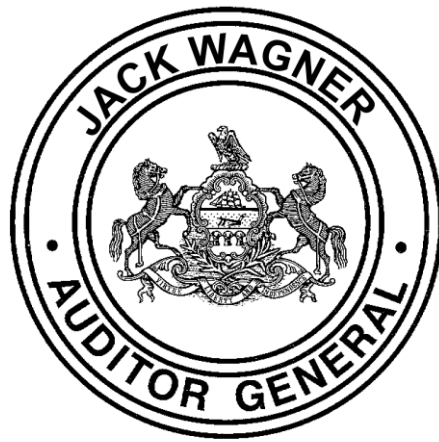
This condition existed because the office failed to establish and implement an adequate system of internal controls over the disbursements of Commonwealth collections.

Recommendations

We recommend that the county office transmit the Commonwealth's funds in accordance with Section 901 of *The Fiscal Code*. We further recommend that the Department of Revenue review the above-cited condition to determine if further action is warranted.

Management's Response

No formal response was offered at this time.



REGISTER OF WILLS/  
CLERK OF ORPHANS' COURT  
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REPORT DISTRIBUTION  
FOR THE PERIOD  
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This report was initially distributed to:

The Honorable Stephen H. Stetler  
Secretary  
Pennsylvania Department of Revenue

The Honorable Zygmunt Pines  
Court Administrator of Pennsylvania  
Supreme Court of Pennsylvania  
Administrative Office of Pennsylvania Courts

Register of Wills/  
Clerk of Orphans' Court  
Montgomery County  
P. O. Box 311  
Norristown, PA 19404

The Honorable D. Bruce Hanes	Register of Wills/Clerk of Orphans' Court
The Honorable Diane B. Morgan	Controller
The Honorable James R. Mathews	Chairman of the Board of Commissioners

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