

COMPLIANCE AUDIT

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

January 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 Register of Wills/Clerk of Orphans' Court, Philadelphia County, Pennsylvania (County Officer), for the period January 1, 2020 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.

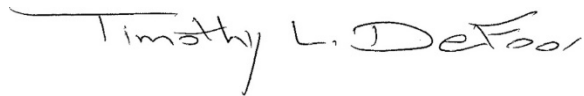
Based on our audit procedures, we conclude that, for the period January 1, 2020 to December 31, 2020, the County Officer, in all significant respects, complied with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted, except as noted in the finding listed below and discussed later in this report.

- Inadequate Internal Controls Over Receipts - Register of Wills/Clerk of Orphans' Court - 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 register of wills and clerk of orphans' court offices, and used the data to create the summary 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 Register of Wills/Clerk of Orphans' Court, Philadelphia 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 9, 2021

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REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 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.

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 filed with the Register of Wills.
- Judicial Computer System/Access To Justice Fees of \$40.25 imposed on all petitions for grant of letters, and first filings 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.

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.
- The Marriage License Declaration Fees of \$13 imposed for the issuance of a marriage license or declaration of which the Commonwealth's portion is \$10.
- Judicial Computer System/Access To Justice Fees of \$40.25 imposed on all petitions for grant of letters, and first filings in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts.

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

Register Of Wills

Inheritance Taxes

Total disbursements for the audit period are comprised as follows:

Deposits into the Department of Revenue's cash management account	\$ 65,858,319
Credits issued by the Department of Revenue	<u>12,294</u>
Total	<u><u>\$ 65,870,613</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

Total disbursements are comprised as follows:

Clerk of Orphans' Court checks issued to:

Department of Revenue	<u><u>\$ 309,524</u></u>
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This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue.

Tracey L. Gordon served as Register of Wills/Clerk of Orphans' Court from January 1, 2020 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.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 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 - Register of Wills (Inheritance Tax)

The \$13,009 audit adjustment represents a deposit error that was corrected in November 2020.

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

Receipts:

Inheritance Taxes	\$ 65,883,622
Disbursements and credits to Commonwealth	<u>(65,870,613)</u>
Balance due Commonwealth (County) per settled reports	13,009
Audit adjustments	<u>(13,009)</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2020 to December 31, 2020	<u><u>\$ -</u></u>

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

Receipts:

Marriage License Taxes	\$	2,873
Marriage License Application Surcharges		57,450
Marriage License Declaration Fees		57,450
Judicial Computer System/Access To Justice Fees		<u>191,751</u>
Total Receipts		309,524
Disbursements to Commonwealth		<u>(309,524)</u>
Balance due Commonwealth (County) per settled reports		-
Audit adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2020 to December 31, 2020	\$	<u><u>-</u></u>

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

Finding - Inadequate Internal Controls Over Receipts - Register of Wills/Clerk of Orphans' Court - Recurring

We cited the issue of inadequate internal controls over receipts in our prior audit report for the period January 1, 2013 to June 30, 2017 and this issue is also included as a finding in our audit report covering the period July 1, 2017 to December 31, 2019, which was issued concurrently with this audit report.

The Register of Wills office is responsible for collecting estate fees and taxes and the Clerk of Orphans' Court is responsible for collecting marriage license fees as well as fees associated with family court filings. Both offices utilize one collection/payment receipting system for all transactions except for state inheritance taxes. Once a customer requests a service or applies for a marriage license, the Clerk of Orphans' Court office issues a blank, hand written, two part manual receipt. The customer takes the manual receipt to a cashier for processing of their payment into the collection/payment computer system.

Our audit of the accounting records disclosed the following deficiencies in the internal controls over receipts:

- The office did not issue pre-numbered manual receipts. Therefore, the actual number of manual receipts used/issued could not be determined.
- The office could not account for every receipt number generated by the office's collection/payment computer system. We found that the collection/payment computer system issues a receipt number prior to the acceptance of the actual fees. There were instances where the customer did not have sufficient funds or the necessary paperwork to complete a transaction. Therefore, the receipt number was not voided but retained in the computer system for an undetermined amount of time. As a result, the collection/payment system had sequential number gaps in the daily reporting that were not readily apparent or easily resolved.

Because of these issues, we were unable to determine if the offices properly collected, recorded, and remitted all monies due the Commonwealth for all transactions except for state inheritance taxes.

This condition existed because the office failed to establish and implement an adequate system of internal controls over receipts as recommended in our prior audit report.

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

Finding - Inadequate Internal Controls Over Receipts Register of Wills/Clerk of Orphans' Court - Recurring (Continued)

A good system of internal controls over receipts ensures that:

- Manual receipts are sequentially numbered. All receipts are issued in sequential order and they are properly accounted for and maintained.
- All receipts are properly recorded in the collection/payment computer system. The computer system should retain a list of all receipts and documentation regarding payment, modification and voiding in order to ensure an adequate audit trail.

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated is increased.

Recommendation

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

Management's Response

The County Officer responded as follows:

The Register of Wills in Philadelphia County will make the necessary changes to all recommendations listed, to comply with the State Auditor General findings and observations report.

Auditor's Conclusion

We appreciate the officeholder's efforts to correct these issues. This is a recurring finding. It is imperative 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.

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

Summary Of Prior Audit Recommendation

During our audit for the period of July 1, 2017 to December 31, 2019, we recommended that the Register of Wills/Clerk of Courts offices:

- Immediately establish and implement an adequate system of internal controls over the receipts.

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

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
PHILADELPHIA COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2020 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
Administrative Office of Pennsylvania Courts

The Honorable Tracey L. Gordon
Register of Wills/Clerk of Orphans' Court

The Honorable Rebecca Rhynhart
Controller

The Honorable Darrell L. Clarke
President of City Council

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.