



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 871-2897

GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller *G.E.*
DATE: December 15, 2015
RE: Audit of Clerk of Judicial Records - Register of Wills Division

We have completed a financial audit of the Clerk of Judicial Records-Register of Wills Division for the years ended December 31, 2013 and 2014. Our audit report number 15-20 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due for Clerk of Judicial Records-Register of Wills division.
- Manual receipting of payments in response to checks marked insufficient funds should be discontinued.

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS DIVISION

*Financial Audit for the Years Ended
December 31, 2013 and 2014*

REPORT NO. 15-20

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS DIVISION

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COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS DIVISION

Background

Clerk of Judicial Records-Register of Wills Division Operations

The Clerk of Judicial Records-Register of Wills Division probates wills and collects taxes for the Commonwealth of Pennsylvania. It assists the public, title searchers, attorneys, and genealogists in the research of information from the probate files. Records date back to 1812.

The “Schedule of Filing Fees” used during the audit period has 13 different fees for filing “Letters Testamentary/Administration”. These fees are based on the estimated estate value. In addition, there are other fees that are charged to most new estates. These fees include: filing an inventory, short certificate, filing the inheritance tax return, and the Commonwealth of Pennsylvania’s Judicial Computer Project Fee. In 2010 Clerk of Judicial Records–Register of Wills began using an updated fee schedule.

When a new estate is probated, the attorney of record or a family member comes into the register of wills office to probate the estate. At this time, a fee is charged for this service. Some fees are on a sliding scale and some fees are fixed amounts. After the fees are paid, the estate is probated. The inheritance tax return is sent to the Commonwealth of Pennsylvania. The Commonwealth of Pennsylvania reviews the inheritance tax return for errors and omissions and the inheritance tax is calculated. The Commonwealth of Pennsylvania sends a “Notice of Inheritance Tax Appraisalment, Allowance or Disallowance of Deductions and Assessment of Tax” to all parties. After the “Notice of Inheritance Tax Appraisalment, Allowance or Disallowance of Deductions and Assessment of Tax” has been received, the Register of Will’s staff reviews all county fees charged. If the county fees initially charged are less than what they should be, the attorney or family member is billed the difference.

Source: Lehigh County website
Pennsylvania Department of Revenue website



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JOHN A. FALK
DEPUTY CONTROLLER

Andrea E. Naugle, Clerk of Judicial Records
Lehigh County Courthouse
455 W. Hamilton Street
Allentown, PA 18101-1614

We have audited the accompanying Statement of Receipts and Disbursements of the Clerk of Judicial Records-Register of Wills Division for the years ended December 31, 2013 and 2014 as listed in the Table of Contents. The financial statements are the responsibility of the Clerk of Judicial Records-Register of Wills Division's management. Our responsibility is to express an opinion on the Statement of Receipts and Disbursements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the financial statements present only the Clerk of Judicial Records-Register of Wills Division financial activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of the County of Lehigh for the years ended December 31, 2013 and 2014 in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the Statement of Receipts and Disbursements referred to above present fairly, in all material respects, the financial activity arising from cash transactions of the Clerk of Judicial Records-Register of Wills Division for the years ended December 31, 2013 and 2014, on the basis of accounting described in Note 1. However, we noted control deficiencies or other management issues that are described in the accompanying "*Schedule of Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015 on our consideration of Clerk of Judicial Records-Register of Wills Division's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Glenn Eckhart
County Controller

December 8, 2015
Allentown, Pennsylvania

Audited by: Suraj Naik

xc: Board of Commissioners
The Honorable Edward Reibman, President Judge
Thomas Muller, County Executive
Timothy Reeves, Fiscal Officer
Virginia Schuler, Chief Deputy, Clerk of Judicial Records-Register of Wills

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS DIVISION

*Statement of Receipts and Disbursements
for the Year Ended December 31, 2013 and 2014*
(NOTE 1)

	<u>2013</u>	<u>2014</u>
Fees and Collections:		
Inheritance Tax	\$ 23,942,245	\$ 22,728,346
Office Filing and Other Fees	351,316	328,709
Judicial Computer Project Fees	31,185	35,582
Automation Fees	7,380	6,770
Electronic Filing Fee	7,380	6,770
Overpayments	12	72
Return Check Fee	40	20
	<hr/>	<hr/>
Total Fees and Collections:	\$ 24,339,558	\$ 23,106,269
	<hr/>	<hr/>
Commissions:		
Commissions for Tax Collection (NOTE 2)	\$ 136,936	\$ 126,221
	<hr/>	<hr/>
Total Receipts:	\$ 24,476,494	\$ 23,232,490
	<hr/>	<hr/>
Disbursements:		
Commonwealth of PA (NOTE 3)	\$ 23,973,500	\$ 22,762,529
County of Lehigh (NOTE 4)	503,064	468,562
	<hr/>	<hr/>
Total Disbursements	\$ 24,476,564	\$ 23,231,091
	<hr/>	<hr/>
Receipts Over (Under) Disbursements	\$ (70)	\$ 1,399

The accompanying notes are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS DIVISION

Notes to Financial Statements for the Years Ended December 31, 2013 and 2014

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Clerk of Judicial Records-Register of Wills Division's financial activity is a part of the County of Lehigh's reporting entity, included in the general fund and is subject to annual financial audit by external auditors. This report is only for internal audit purposes.

B. Basis of Accounting

The accounting records of the County of Lehigh and the Statement of Receipts and Disbursements are maintained on the cash receipts and disbursements basis of accounting. Under this basis of accounting, revenue is recognized when cash is received and expenditures are recognized when paid. This differs from Generally Accepted Accounting Principles (GAAP) which require the accrual basis of accounting.

2. Commissions for Tax Collection

Acting in the capacity of an agent for the Commonwealth, the counties' Register of Wills offices are paid commissions for collection of Inheritance Taxes. Effective January 1, 1988, the following rates are in effect:

4.25% of the first \$1.00 to \$200,000.00
1.75% of \$200,000.01 to \$1,000,000.00
0.50% of all collections in excess of \$1,000,000.00.

3. Commonwealth of Pennsylvania

Amounts remitted to the state from the County of Lehigh are in the following categories:

	<u>2013</u>	<u>2014</u>
Inheritance Tax	\$23,942,245	\$22,728,346
Judicial Computer Project Fees	31,255	34,183
Disbursements to Commonwealth of PA	<u>\$23,973,500</u>	<u>\$22,762,529</u>

4. **County of Lehigh**

Expenditures to the County of Lehigh are broken down into the following categories:

	<u>2013</u>	<u>2014</u>
Office Filing and Other Fees	\$351,316	\$328,709
Commissions for Tax Collection	136,936	126,221
Automation Fees	7,380	6,770
Electronic Filing Fee	7,380	6,770
Overpayments	12	72
Return Check Fee	40	20
Disbursements to County of Lehigh	\$503,064	\$468,562



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DEPUTY CONTROLLER

Andrea E. Naugle, Clerk of Judicial Records
Lehigh County Courthouse
455 W. Hamilton Street
Allentown, PA 18101-1614

We have audited the financial statements of Clerk of Judicial Records-Register of Wills Division for the years ended December 31, 2013 and 2014 and have issued our report thereon dated December 8, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the generally accepted government auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit, we considered Clerk of Judicial Records-Register of Wills Division's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement of Receipts and Disbursements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk of Judicial Records-Register of Wills Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk of Judicial Records-Register of Wills Division's internal control over financial reporting.

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 misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such as there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

As part of obtaining reasonable assurance about whether Clerk of Judicial Records-Register of Wills Division's financial statements are free of material misstatement, we performed tests of its 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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*.

We noted certain matters that we reported to management of Clerk of Judicial Records-Register of Wills Division in a separate section titled "*Schedule of Audit Findings and Recommendations*".

Clerk of Judicial Records-Register of Wills Division's response to the findings identified in our audit are included in this report. We did not audit Clerk of Judicial Records-Register of Will's response and, accordingly, we do not express an opinion on it.

This report is intended solely for the information and use of management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Glenn Eckhart
County Controller

December 8, 2015
Allentown, PA

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS DIVISION

Schedule of Audit Findings & Recommendations

1. Use of Manual Receipts over Computer Receipts

Condition: Manual receipts are issued for the second check issued after a check returned insufficient funds (NSF) is deposited into the state Inheritance Tax account. Receipts for the state account are otherwise receipted through the Odyssey, the county's case management system. All other offices use Odyssey's receipting system for NSF checks.

Recommendation: Receipts for the second check should be issued through Odyssey in order to remain consistent with county accounting procedures. Initially, an adjustment should be made for the original check receipted. Then, the second check for the same case can be entered in the same system.

Manual receipts should only be issued when Odyssey is not available or there is a problem in processing computer receipts.

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS DIVISION

Schedule of Prior Audit Findings and Recommendations

(Audit Report #14-02 issued January 22, 2014)

1. Commingling of Divisions' Financial Activity Reporting

Condition: The Civil, Criminal, and Register of Wills Divisions' of the Clerk of Judicial Records are accounted for under one department – Clerk of Judicial Records. Some revenues have been separated and are accounted for separately while the rest are not. Current financial reporting practices make reconciliation of amounts reported to actual cash receipts difficult at best.

Recommendation: Each division should have its accounting records separate from the other and have an established bureau (01-09-XX) designated for each division. Currently, only the Recorder of Deeds division has separate accounts. Establishing separate accounts would ensure each division's accounting would be properly separated and allow for a proper audit trail to exist for each division. The divisions also would then be stand alone and reviewable for accounting and budgeting purposes while still allowing for summarized reporting if necessary.

2. Commingling of Divisions' Daily Receipt Activity

Condition: The Civil, Criminal, and Register of Wills divisions of the Clerk of Judicial Records daily receipts are commingled with other courthouse offices in various bank accounts.

Recommendation: Each division should have its daily receipt records separate from each division and other courthouse offices and have separate bank accounts established for each division. Only the Recorder of Deeds division has its own bank account. This would ensure that each division's daily receipts would be properly separated and allow for a proper audit trail.

Management Response: Both findings in your audit are the result of the consolidation of the four divisions into one department known as the Clerk of Judicial Records in January, 2008. The County's Fiscal Office consolidated the daily receipt and financial reporting of the Civil, Criminal, and Register of Wills Divisions into one County account. It would certainly be proper to separate those records and allow each Division to access their own accounting records.

Current Status: Management has adequately addressed both findings.

Lehigh County Clerk of Judicial Records

Civil Division

(610) 782-3148

Recorder of Deeds

Division

(610) 782-3162

Lehigh County Courthouse

455 W. Hamilton Street - Room 132

Allentown, PA 18101-1614



Criminal Division

(610) 782-3077

Register of Wills

Division

(610) 782-3170

December 8, 2015

Glenn Eckhart, Controller
Lehigh County Controller's Office
Government Center
17 South Seventh Street
Allentown PA 18101-2400

Dear Mr. Eckhart:

Receipt of your letter of November 24, 2015, relative to the Draft of our Audit Report for years ended December 31, 2013 and 2014 is acknowledged. We have reviewed your recommendation to only issue manual receipts when Odyssey is not available and have started implementing that procedure. Therefore, if any inheritance tax payments are returned for insufficient funds and a second check is issued, the payment will be entered through Odyssey

Very truly yours,

A handwritten signature in cursive script, reading "Andrea E. Naugle".

Andrea E. Naugle

Clerk of Judicial Records

A handwritten signature in cursive script, reading "Virginia Schuler".

Virginia Schuler

Chief Deputy Register of Wills Division

cc: E. Keller Kline, III, Esq.