



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
ETHICS HOTLINE (610) 782-3999

GLENN ECKHART
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Report Distribution
FROM: Glenn Eckhart, County Controller G.E.
DATE: November 9, 2018
RE: Audit of Clerk of Judicial Records – Recorder of Deeds Division

We have completed a financial audit of the Clerk of Judicial Records - Recorder of Deeds Division for the years ended December 31, 2016 and 2017. Our audit report number 18-36 is attached.

The result of our audit is the County of Lehigh received the proper amounts due from Clerk of Judicial Records - Recorder of Deeds Division.

Attachment

AUDITS/CJR-RECORDER OF DEEDS

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS – RECORDER OF DEEDS DIVISION

*Financial Audit for the Years Ended
December 31, 2016 and 2017*

REPORT NO. 18-36

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - RECORDER OF DEEDS DIVISION

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Clerk of Judicial Records' Response	No Response

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - RECORDER OF DEEDS DIVISION

Background

As a result of an amendment to the Home Rule Charter, effective January 2008, the offices of Clerk of Courts, including Civil and Criminal Divisions (Prothonotary and Clerk of Courts), Register of Wills and Recorder of Deeds were abolished and a new position of Clerk of Judicial Records was created to combine four divisions into one office. In March 2011, the Recorder of Deeds Office was relocated to the courthouse and completed consolidation of all four divisions in one office area. A central file review area was created adjacent to the Clerk's Office. The Elected Clerk of Judicial Records is responsible for maintaining complete, accurate and up-to-date file records for the Civil, Criminal and Register of Wills Divisions of the Lehigh County Court system in accordance with existing laws and remains current with all new legislation. The Clerk is also responsible for recording all deeds and mortgages and real estate matters in the Recorder of Deeds Division. The Register of Wills Division probates wills and collects inheritance taxes for the Commonwealth of Pennsylvania. To fulfill this responsibility, it is the mission of the Clerk of Judicial Records' Divisions to provide various services to the Courts, attorneys, title companies, other government agencies and the general public. It is the Clerk of Judicial Records' goal to maintain efficient quality services. The objectives to meet this goal are timely completion and submission of all required reports to various agencies of the Court system and other state agencies to receive, process and maintain complete and accurate records of all moneys received, including moneys collected on behalf of individuals and held in escrow for the Court. The Clerk of Judicial Records Office files date back to 1812. The Clerk of Judicial Records' Divisions are an integral part of the Court System and Land Records of Lehigh County.



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

Report on Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements of Clerk of Judicial Records-Recorder of Deeds Division for the years ended 2016 and 2017 (hereinafter referred to as the Schedules) and the related notes to the Schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Schedules based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Schedules, whether due to human error or fraud. In making those risk assessments, the auditor considers internal control relevant to management's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of management's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Schedules

In our opinion, the Schedules referred to above present fairly, in all material respects, the financial activity arising from cash transactions of the Clerk of Judicial Records-Recorder of Deeds Division for the years ended 2016 and 2017, in accordance with the U.S. generally accepted accounting principles.

As discussed in Note 1, the Schedules 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 Schedules present only the Clerk of Judicial Records-Recorder of Deeds 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 2016 and 2017 in conformity with the cash receipts and disbursements basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018 on our consideration of Clerk of Judicial Records-Recorder of Deeds 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* in considering management's internal control over financial reporting and compliance.



GLENN ECKHART
County Controller

November 5, 2018
Allentown, Pennsylvania

Audited by: Daniel Aquilino

xc: Phillips Armstrong, County Executive
Karen Collura, Chief Deputy, Clerk of Judicial Records-Recorder of Deeds Division
Board of Commissioners
Edward Hozza, Director of Administration
Timothy Reeves, Fiscal Officer
The Honorable Edward Reibman, President Judge
Tammy Stahlnecker, Assistant Chief Deputy, Clerk of Judicial Records-Recorder of Deeds Division

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - RECORDER OF DEEDS DIVISION

*Statement of Receipts and Disbursements
for the Years Ended December 31, 2016 and 2017*

(NOTE 1)

	<u>2016</u>	<u>2017</u>
RECEIPTS:		
Realty Transfer Taxes	33,302,877	42,832,263
Office Fees	1,198,407	1,205,531
JCS Fee	1,187,299	1,210,515
UPI Fee	404,690	428,550
Affordable Housing Fee	223,583	221,502
Notary and Writ Tax Fee	<u>26,212</u>	<u>26,324</u>
TOTAL RECEIPTS	36,343,068	45,924,685
 DISBURSEMENTS:		
Commonwealth of PA (NOTE 2)	17,801,700	22,403,638
Distribution to Other Taxing Authorities (NOTE 3)	16,216,187	21,021,873
County of Lehigh (NOTE 4)	<u>2,325,181</u>	<u>2,499,174</u>
TOTAL DISBURSEMENTS	36,343,068	45,924,685
 RECEIPTS OVER/(UNDER) DISBURSEMENTS	<u>0</u>	<u>0</u>

The accompanying notes are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA
CLERK OF JUDICIAL RECORDS - RECORDER OF DEEDS DIVISION

Notes to Financial Statements for the Years Ended December 31, 2016 and 2017

1. Summary of Significant Accounting Policies

A. Reporting Entity

A portion of the Clerk of Judicial Records - Recorder of Deeds 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 requires the accrual basis of accounting.

2. Commonwealth of Pennsylvania

Expenditures to the Commonwealth of Pennsylvania are broken down into the following categories:

	<u>2016</u>	<u>2017</u>
Realty Transfer Fees –Due to State	16,588,189	21,167,558
JCS Fee	1,187,299	1,210,515
Writ Taxes	24,256	24,519
Notary	<u>1,206</u>	<u>1,046</u>
TOTAL	<u>17,800,950</u>	<u>22,403,638</u>

3. Distribution to Other Taxing Authorities

Disbursements of realty transfer taxes are made monthly to cities, boroughs, townships, and school districts located within the boundaries of Lehigh County.

	<u>2016</u>	<u>2017</u>
Realty Transfer Taxes	16,216,187	21,021,873

4. **County of Lehigh**

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

	<u>2016</u>	<u>2017</u>
Office Fees	1,198,409	1,205,532
Commissions	499,249	643,590
UPI Fee	404,690	428,550
Affordable Housing	<u>223,583</u>	<u>221,502</u>
TOTAL	<u>2,325,931</u>	<u>2,499,174</u>



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We have audited, in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller of the United States; the accompanying Statement of Receipts and Disbursements of Clerk of Judicial Records-Recorder of Deeds Division for the years ended 2016 and 2017 (hereinafter referred to as the Schedules) and have issued our report thereon dated November 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered Clerk of Judicial Records-Recorder of Deeds Division's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of management's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clerk of Judicial Records-Recorder of Deeds 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that 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. 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 to those charged with governance.

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. Significant deficiencies or material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clerk of Judicial Records-Recorder of Deeds Division's Schedules 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*.

Our audit also included sufficient and appropriate tests for fraud, waste and abuse and we included in our report any material (either quantitatively or qualitatively) instances we noted however, our audit procedures would not necessarily identify all instances of fraud, waste and abuse that may be reportable.

Management's Response to the Audit

If provided, the Clerk of Judicial Records-Recorder of Deeds Division's response to our audit is included in this report. We did not audit the Clerk of Judicial Records-Recorder of Deeds Division's response and, accordingly, we do not express an opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, others within the entity, and Phillips Armstrong, County Executive; Edward Hozza, Director of Administration; Board of Commissioners; The Honorable Edward Reibman, President Judge; Timothy Reeves, Fiscal Officer; Karen Collura, Chief Deputy, Clerk of Judicial Records-Recorder of Deeds Division; and Tammy Stahlnecker, Assistant Chief Deputy, Clerk of Judicial Records-Recorder of Deeds Division 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.

A handwritten signature in black ink, appearing to read 'GLENN ECKHART', written over a horizontal line.

GLENN ECKHART
County Controller

November 5, 2018
Allentown, PA