



County Controller

Stephen J. Barron, Jr., CFE

Audit Manager

Frank S. Kedl, CIA

Solicitor

Timothy P. Brennan, Esq.

County Executive

John A. Brown

County Council

Margaret Ferraro, President
Glenn A. Geissinger, Vice-President
Mathew M. Benol
Kenneth M. Kraft
Lamont G. McClure, Esq.
Leonard S. Parsons
Hayden Phillips
Seth Vaughn
Robert F. Werner

Audit Report

**RECORDER OF DEEDS
AGENCY FUND**

As of July 31, 2015

**Office of the Controller
County of Northampton
Pennsylvania**



STEPHEN J. BARRON, JR., CFE

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

FRANK S. KEDL, CIA
Audit Manager

TIMOTHY P. BRENNAN, ESQ.
Solicitor

PHONE (610) 829-6615
FAX (610) 559-3137

November 17, 2015

Members of the Northampton County Council
John A. Brown, County Executive
County of Northampton, Pennsylvania

We have completed an audit of the Recorder of Deeds Agency Fund as of July 31, 2015.

The Executive Summary on page 1 summarizes the audit results, while the Audit Results section provides a detailed explanation.

We acknowledge the cooperation and assistance we received from the staff of the Recorder of Deeds office. Their help was essential to the performance of this audit.

Our report was discussed with management at our exit conference on November 17, 2015. Management's response is included in the Audit Results section of the report.

Very truly yours,

Stephen J. Barron, Jr., CFE
County Controller

Kathleen A. Kuzma, MBA, CPA, CGMA
Lead Auditor

Table of Contents

	<u>PAGE</u>
EXECUTIVE SUMMARY	1
INTRODUCTION	2
PURPOSE AND SCOPE.....	3
METHODOLOGY	3
AUDIT RESULTS	4
<u>Section A - Policies and Procedures</u>	
1. Policies and Procedures Manual.....	4
<u>Section B – Internal Controls</u>	
1. Random Cash Drawer Verifications	6
<u>ISSUES RESOLVED DURING FIELDWORK</u>	7

EXECUTIVE SUMMARY

The Recorder of Deeds office maintains a comprehensive Policies and Procedures Manual (Manual) that addresses many of the daily issues faced by the staff. This Manual would be more useful and internal controls would be strengthened if there were regular updates to the Manual, and if the Manual were expanded to include procedures for supervisors. It would also be a benefit to the office if the Manual were available electronically to the staff. Another means for management to improve internal controls would be to perform more frequent random cash drawer verifications.

INTRODUCTION

The Recorder of Deeds office is one of several divisions under the direction of the Department of Fiscal Affairs. This office is responsible for recording, filing, imaging, retrieval and maintenance of deeds, mortgages and miscellaneous papers filed in Northampton County. The office is also responsible for collecting fees and taxes associated with the filing of these documents and disbursing the appropriate fees and taxes to the proper agencies. The County is also authorized to collect and retain a fee or commission for services rendered in collecting and disbursing these fees and taxes.

The Recorder of Deeds office has been charged with the responsibility to ensure that real estate records are accurately recorded and can be researched and obtained by lawyers, title companies and the public. Documents are processed through the use of a computerized recording system and are assigned a volume and page reference number. The documents are then imaged and sent to retrieval stations for viewing and copying. All documents are available for public inspection.

As a means to account for the fees and taxes collected and remitted, the Recorder of Deeds office maintains an agency fund. An agency fund is a separate accounting entity within government. It is used to account for assets held solely in a custodial capacity for individuals, private organizations, other governments and other funds. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. The Recorder of Deeds Agency Fund is used to account for receipts and disbursements of fees, taxes and commissions collected by the Recorder of Deeds office, which are ultimately owed to the Commonwealth of Pennsylvania, Municipalities, School Districts and the County of Northampton.

PURPOSE AND SCOPE

This audit is one in a series of periodic audits of all agency funds performed for the purpose of supplementing the year-end work prescribed by the County's external auditor. The focus of the audit was on the receipt and disbursement functions, and on compliance with laws and regulations for the various fees and taxes.

The purpose of the audit was:

- To test the adequacy of internal controls.
- To test compliance with laws, regulations, and policies and procedures.

Our tests were conducted on transactions occurring during the period January through July 2015.

METHODOLOGY

Our methodology included:

- Interviewing Recorder of Deeds personnel to document receipt and disbursement processes.
- Identifying applicable policies, procedures, laws and regulations.
- Completing internal control analysis to identify and assess controls.
- Testing transactions for compliance with internal controls and regulations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Section A - Policies and Procedures

1. Policies and Procedures Manual

OBSERVATION

We reviewed the Recorder of Deeds Division Policies and Procedures Manual to assess the internal controls of the office. We found that the Recorder of Deeds Policies and Procedures Manual (Manual) Section B Policies and Procedures had not been updated since 2009. Numerous updates and changes to Section B were handwritten in the margins. In addition, Section A.3 Regulations was not current. The Recorder of Deeds also maintains a set of procedures for supervisors to use in performing their daily supervisory duties. These procedures are not included in the Manual. Furthermore, the Manual is only available to staff as a paper document in a binder.

During testing we noted one instance when one Deputy performed all three functions in the deposit verification process. Neither the Recorder nor the other Deputy were in the office on that day. The Deputy stated she was not aware that she should have a clerical technician assist in the deposit verification process. The Manual details a procedure for this situation. The improper segregation of duties might have been avoided if the Manual was up-to-date and available electronically.

Documented policies and procedures are a tool for all employees that supplement the actual training that takes place for newly hired individuals and provide a reference source for staff when they are faced with questions on how to perform their job. When the Manual is not up-to-date, the staff lacks the proper resources to perform their duties which could increase the risk of errors or abuse.

RECOMMENDATION

The Manual should be updated as changes occur and management should provide ongoing training on the Manual to the staff, especially when updates occur. Procedures for supervisors should become part of the Manual and the Manual should be made available electronically for all of the office staff.

MANAGEMENT RESPONSE

Andrea Suter, Recorder of Deeds

The Recorder of Deeds will update the existing manual and begin to create a separate manual for the supervisors. I have asked my deputy to assist in the update of the office manual.

Section B – Internal Controls

1. Random Cash Drawer Verifications

OBSERVATION

The Recorder of Deeds Manual Section B 2.0 Receipts Handling includes a procedure for performing periodic verifications of all cash drawers on a random basis. It was noted during testing that there were no random cash drawer verifications performed during the audit period. The last cash drawer verifications that were performed were done in March 2014 and were done on only two drawers and only as a result of staff changes in the office.

It is a good practice to perform cash drawer verifications when staff changes occur to ensure the cash drawers are intact before given to a new cashier. However, the random cash drawer verification process done throughout the year is an effective internal control mechanism to deter or detect any irregular activity with the cash drawers that are assigned to staff on a regular basis.

It was noted by the auditor that as soon as the Recorder of Deeds was made aware that random cash drawer verifications had not been done in quite some time, she took steps to perform a random cash drawer verification of all cash drawers as soon as possible.

RECOMMENDATION

The Recorder of Deeds and the Deputies should make every effort to perform periodic random cash drawer verifications on a more frequent basis.

MANAGEMENT RESPONSE

Andrea Suter, Recorder of Deeds

The Recorder of Deeds and/or the two deputies will do random cash drawer verifications more frequently.

ISSUES RESOLVED DURING FIELDWORK

Throughout the audit process it was evident that the Recorder of Deeds was committed to making the fiscal operations of the office run as efficiently and effectively as possible, and was eager to correct any deficiencies that we noted as well as improve procedures and forms used in their daily operations.

1. Updating Deposit Verification Sheet

OBSERVATION

While performing audit testing of the deposit verification process, it was discovered that the "Deposit Verification Sheet" provided no description about other types of payments received. The form noted ACH receipts from e-recorded documents which were traceable to attached documentation from the e-recording companies. However, there was no detail about EFT receipts the office sometimes receives.

CORRECTIVE ACTION TAKEN

When the Recorder of Deeds was made aware of this, she immediately reviewed the form and updated it to include a section for "other" payments and a description of the transaction.