Performance Audit Report

RECORDER OF DEEDS
AGENCY FUND

As of August 31, 2019

Office of the Controller
County of Northampton
Pennsylvania
February 10, 2020

Members of the Northampton County Council
Lamont G. McClure, Jr., County Executive
County of Northampton, Pennsylvania

We have completed an audit of the Recorder of Deeds Agency Fund as of August 31, 2019. 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 Recorder of Deeds Division. Their help was essential to the performance of this audit.

Management’s response is included in the Audit Results section of the report.

Very truly yours,

Tony E. Bassil
County Controller

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

The Recorder of Deeds office maintains a comprehensive Policies and Procedures Manual (Manual) that addresses many of the daily tasks performed by the staff. This Manual would be improved and internal controls would be strengthened if there were regular updates to the Manual. It would also be beneficial to the office if the Manual were expanded to include additional areas such as the handling of voids/adjustments and NSF items.
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. The office uses the LANDEX computer system purchased from Optical Storage Solutions, Inc. to accomplish their recording responsibilities.

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 a 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 August 2019.

METHODOLOGY

Our methodology included:

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

Our review included an assessment of internal controls in the audited areas. Any significant findings related to internal controls are included in the Audit Results section of the report.

We performed a review via questionnaire of controls over the LANDEX system to ensure that computer-based data used in this audit is reliable. While we concluded that the controls were moderate, we supplemented this level of assurance wherever possible by footing printouts and reports and comparing information to source documents.

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


OBSERVATION

We reviewed the Recorder of Deeds Division’s Policies and Procedures Manual (Manual) to assess the internal controls of the office. We found that the date of the last printing of the Manual was 2009. There were numerous changes handwritten in the margins of the document that is available to the staff. In addition, a printed copy of the Manual is the only format available to staff.

During our interviews with the Recorder of Deeds and our testing, we noted that some areas of the Manual were outdated due to the office not having the time to devote to the upkeep of the manual, and other areas were not included. The section on the Copy Guard machine has become obsolete as a result of the office implementing debit accounts that replaced the debit cards. The Manual does not go into detail about procedures to handle e-recorded transactions and does not address voids/adjustments in LANDEX or the handling of non-sufficient funds items (NSF checks received). The Recorder of Deeds has issued a Supervisor’s procedures document but it is a separate document and is not included in the office Manual.

As the working environment changes, policies and procedures should adapt to meet the new business goals. A policies and procedures manual needs to be updated regularly to accurately represent current office procedures. Policies and procedures are designed to help guide daily decisions and assist employees in fulfilling their daily duties. Documented policies and procedures are a tool that supplements the actual training that takes place for newly hired individuals, and provides guidance for staff when they are faced with questions on how to perform their duties. Well written policies and procedures increase accountability and are fundamental to quality assurance. Outdated policies and procedures could result in tasks being performed inconsistently and inefficiently, and could direct employees to perform their daily tasks incorrectly leading to errors or abuse.

RECOMMENDATION

The Recorder of Deeds Policies and Procedures Manual should be updated as changes occur and management should provide ongoing training to the staff. Obsolete portions should be removed and other areas should be expanded or added as necessary.
MANAGEMENT RESPONSE

Andrea Suter, Recorder of Deeds

The Recorder of Deeds will update the existing office manual and the separate manual for the supervisors. I have asked for assistance this time from my supervisors. This project is entirely too large for one individual. Also their input will be valuable.