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Audit Report

**REGISTER OF WILLS
AND ORPHANS'
COURT AGENCY
FUNDS**

As of March 31, 2018

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



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August 22, 2019

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

We have completed an audit of Register of Wills and Orphans' Court Agency Funds as of March 31, 2018.

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

We acknowledge the cooperation and assistance we received from the personnel in the Register of Wills and Orphans' Courts Divisions. 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,

Richard J. Szulborski
County Controller

Kathy M. Nesfeder, CRMA, CFE
Auditor II

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EXECUTIVE SUMMARY

Overall, the financial transactions and processes in the Register of Wills and Orphans' Court Agency Funds are functioning well. This in part, is due to the Four J's computer system being replaced with a new system, County Fusion, in December 2015. County Fusion is an information management and software solutions system for local governments.

Recommendations were made for some internal control weaknesses identified in the early stages of the audit and corrective action was taken to resolve the issues identified.

INTRODUCTION

The Register of Wills and Orphans' Court are two of several divisions that are part of the Department of Court Services. They share common office space and are managed by the same supervisor.

The Register of Wills is responsible for docketing, filing, retrieval and maintenance of documents pertaining to estates of descendants from the year 1752 to the present, including estate administration when there is no will. The office is also responsible for collecting, recording and disbursing County fees and inheritance tax collected, as required by law. A dispute pertaining to wills and estates is resolved internally by this office or through the court.

The Orphans' Court is responsible for processing documents pertaining to adoptions and termination of parental rights, guardianships for minors and adjudications of incapacity, and other dependency matters relating to juveniles. The office also maintains the accounting and distribution of estates scheduled for audit by the court. Escrow accounts are held by the office pending distribution by court order. The Orphans' Court is also responsible for maintaining records of marriages and issuing marriage licenses and certificates. Birth and death records from 1893 to 1936 are on file in this office and certificates are issued upon request. The Commonwealth of Pennsylvania's Bureau of Vital Statistics maintains subsequent years' information.

In order to account for payments remitted to the County of Northampton, both the Register of Wills and the Orphans' Court maintain a separate agency fund. An agency fund is a separate accounting entity within the 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 holding of and remittance of assets to their rightful owners. The Register of Wills and Orphans' Court Agency Funds are used to account for receipts and disbursement of fees and other amounts collected, which are ultimately owed to the Commonwealth of Pennsylvania, the County of Northampton and other entities.

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 this audit was on the receipt and disbursement functions, and on compliance with laws and regulations of the Register of Wills and Orphans' Court. The scope of our audit period was July 31, 2017 through March 31, 2018.

The purpose of this audit was:

- To determine the adequacy of internal controls.
 - To determine the economy and efficiency of the procedures and processes.
 - To determine compliance with laws, regulations, policies and procedures.
-

METHODOLOGY

Our methodology included:

- Interviewing management and employees in the offices to gain an understanding of the processes.
- Speaking with management to learn their perceived risks and performance measures.
- Reviewing the office policies and procedures.
- Testing disbursements to verify that the correct amounts were remitted to the State, and reviewing the commission calculations.
- Reviewing the controls and accesses for the County Fusion system.
- Reviewing the monthly inheritance tax reports submitted to the State and the commissions associated with those reports.
- Reviewing appraisements and discounts.
- Reviewing escrow accounts and balances.

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 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 – Internal Controls

1. Policies and Procedures Manual

OBSERVATION

The Register of Wills and Orphans' Court Offices do not have an updated Policies and Procedures Manual. The manual currently on their shared drive was not updated to reflect the changes brought about by the County Fusion computer system when it was installed in 2015.

A well-written, detailed manual will help management achieve their goals of complying with laws and regulations, maintaining adequate internal controls and being efficient in their practices. It helps to ensure that the staff understands their roles and responsibilities, and it provides an excellent source for training new employees and management. As the laws, regulations and work environment changes, the manual should be updated. The manual should be available either electronically or in hard copy to all employees in the offices.

RECOMMENDATION

We recommend reviewing the existing manual and updating it to reflect the new computer system as well as any other changes that have occurred in the office since it was last updated. The completed manual should be reviewed with the staff and made available to them for use in their daily duties.

MANAGEMENT RESPONSE

Per Auditor's request, the fiscal policies and procedures manual has been updated to reflect the processes under the new system (County Fusion), tracking of state commission payments, process for handling non-sufficient funds and the process for escheating escrow money. The updated copy was provided to each staff member and was also placed on the shared drive for the Staff to access as needed.

Section B – Compliance

1. Escrow Money

OBSERVATION

During our audit, we observed that escrow money received from 2007 to 2011 for caveat deposits totaling \$3,617 was still being held even though the cases were closed and all expenses were paid. A caveat is a document filed with the Register of Wills by an individual or entity with interest in the estate of a decedent as an heir, beneficiary or creditor. These cases date back to the prior Register of Wills.

The Register of Wills tried numerous times to contact lawyers for these estates; but in some cases, there were multiple lawyers involved over the years and the Register of Wills could not determine exactly who made those deposits, and to whom those deposits should be returned.

RECOMMENDATION

The Controller's Solicitor recommends that escrow funds for caveat deposits which have been held for more than three years and which will have no further expenditures, should be disposed of in accordance with the Disposition of Abandoned and Unclaimed Property Act (DAUPA) 72 P.S. § 1301.1 et seq. Notice must be given to the owner of the escrow deposits not more than one hundred twenty (120) days nor less than sixty (60) days prior to the date in which the corresponding report is to be submitted to the State Treasurer. In the future, if money isn't claimed, the Register of Wills should follow the reporting requirements as set forth in DAUPA.

In addition, even though a status report has not be filed on an estate, you can still escheat the caveat deposits provided there are no outstanding fees. Estates that are still in litigation, the caveat deposit must remain on account until the estate has been resolved.

MANAGEMENT RESPONSE

There is a total of \$3,617.00 currently held in the Escrow account, out of which \$1,117.00 will be refunded directly to the Estate(s) or the Payer (if known). The remainder (\$2,500.00) cannot be escheated or refunded because these cases are still being litigated / active or pending a court order for their release.

ISSUES RESOLVED DURING FIELDWORK

Throughout the audit process – from the preliminary gathering of information to the testing phase – it was evident that the Register of Wills/Clerk of Orphans’ Court, her deputies, and the Accountant were committed to making their fiscal operations run efficiently and effectively, promptly correcting deficiencies that were found.

The following areas needing corrective action were identified throughout the audit and management corrected these deficiencies before the audit was completed.

1. County Fusion Daily Register Report

OBSERVATION

During our audit, we observed that the County Fusion *Daily Register Report* did not show a breakdown of all the fees and costs for each transaction. Although the complete breakdown was not shown, the total amount was correct.

CORRECTIVE ACTION TAKEN

The Register of Wills/Clerk of Orphans’ Court promptly contacted County Fusion and the program was modified so that the layout of the report shows all lines with fees and equals the receipt total.

2. State Commission Payments

OBSERVATION

During our testing, we determined that no one was tracking or reconciling the commission payments received monthly from the State for Inheritance Tax. In January 2018, an additional payment of \$17,500 was received from the State and no one knew what it was for. After further research, it was determined that the State pays a higher commission rate on the first million dollars of taxes paid each year and Northampton County exceeded that amount in the first month of the year. The State paid that higher commission to the County separate from their normal commission payment.

CORRECTIVE ACTION TAKEN

The Accountant assigned to the Register of Wills developed a spreadsheet to track and reconcile the monthly commission from the State. The Register of Wills will incorporate this new process into their policy and procedure manual.