

*The County of Chester
Office of the Controller
Internal Audit Department*



*Audit Report
Office of the Recorder of Deeds
For the year ended December 31, 2008*

Valentino F. DiGiorgio, III, Controller

COUNTY OF CHESTER
AUDIT OF THE OFFICE OF THE RECORDER OF DEEDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Ryan A. Costello, Recorder of Deeds
Office of the Recorder of Deeds
121 North Walnut Street
West Chester, PA 19380

COUNTY OF CHESTER
AUDIT OF THE OFFICE OF THE RECORDER OF DEEDS

TABLE OF CONTENTS

AUDITOR’S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Assets and Liabilities.....	2
Statements of Receipts, Disbursements, and Cash Balance.....	3
Notes to Financial Statements.....	6
 AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL REPORTING	 8
 SUMMARY OF EXIT CONFERENCE.....	 10



COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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VALENTINO F. DIGIORGIO, III
Controller

July 10, 2009

Office of the Recorder of Deeds
121 North Walnut Street
West Chester, PA 19380

Internal Audit has audited the accounts of the *Office of the Recorder of Deeds (Recorder)* as of December 31, 2008, and has compiled the attached Statement of Assets and Liabilities and the related Statements of Cash Receipts, Disbursements, and Cash Balances for the year then ended. It is Internal Audit's responsibility to audit annually the accounts of any office receiving money for use by the Commonwealth of Pennsylvania and to report the results of such audits to the Chester County Commissioners and the Chester County Court of Common Pleas. It is management's responsibility to maintain, update, and reconcile these accounts on a continuous basis.

Our audit was conducted in accordance with generally accepted auditing standards and the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit in a manner, that will provide *reasonable assurance* that the accounts are free of material misstatement and that amounts are properly supported and approved.

As described in Note 1, the accompanying financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the statements referred to above are not intended to present the financial position and results of operations of the *Recorder* in conformity with generally accepted accounting principles.

In our opinion, the accounts of the *Recorder* are stated fairly as of December 31, 2008. Consequently, the corresponding financial statements prepared by Internal Audit present fairly, in all material respects, the assets and liabilities of the *Recorder* as of December 31, 2008, and the cash receipts, disbursements, and cash balances for the year then ended.

In accordance with Government Auditing Standards, Internal Audit has also issued a report dated July 10, 2009, on our consideration of the *Recorder's* internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, policies and/or procedures. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is to be read in conjunction with this report in considering the results of our audit.

Valentino F. DiGiorgio, III
Controller

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2008

Assets

Cash – Recording Account	\$ 361,095
Cash – Municipal Account	2,637,976
Cash – Recorder Records Fund	539,035
Cash – Change Fund	800
Accounts Receivable	<u>100</u>
Total Assets	<u>\$ 3,539,006</u>

Liabilities and Equity

Undisbursed Funds:	
County of Chester – Fees	\$ 307,234
State – Fees	49,010
State – Notary Commissions	1,801
Municipalities – Fees	2,637,976
Film Sales	1,500
Data Report Sales	580
Subscription Sales	1,070
Change Fund Liability	800
Recorder Records Fund Equity	<u>539,035</u>
Total Liabilities and Equity	<u>\$ 3,539,006</u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE-
RECORDING ACCOUNT**

FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Balance, January 1, 2008		\$ 425,497
Receipts:		
County of Chester - Fees	\$ 4,339,289	
State - Fees	779,383	
State - Commissions	1,801	
Interest	<u>17,332</u>	
Total Receipts	5,137,805	
Disbursements:		
County of Chester - Fees	\$ 4,162,446	
State - Fees	793,343	
State - Commissions	1,777	
To the Recorder Records Fund	<u>244,641</u>	
Total Disbursements	<u>5,202,207</u>	
Excess of disbursements over receipts		<u>(64,402)</u>
Cash Balance, December 31, 2008		<u>\$ 361,095</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE-
MUNICIPAL ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Balance, January 1, 2008		\$ 2,752,851
Receipts:		
Fees Collected	\$ 33,071,697	
Interest	<u>97,568</u>	
Total Receipts	33,169,265	
Disbursements:		
County of Chester-Fees and Interest	\$ 759,605	
Municipalities and School Districts	<u>32,524,535</u>	
Total Disbursements	<u>33,284,140</u>	
Excess of disbursements over receipts		<u>(114,875)</u>
Cash Balance, December 31, 2008		<u>\$ 2,637,976</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CASH BALANCE-
RECORDER RECORDS FUND ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Balance, January 1, 2008		\$ 282,299
Receipts:		
Fees Collected	\$ 244,641	
Interest	<u>18,540</u>	
Total Receipts	263,181	
Disbursements:		
To County General Fund	<u>\$ 6,445</u>	
Total Disbursements	<u>6,445</u>	
Excess of receipts over disbursements		<u>256,736</u>
Cash Balance, December 31, 2008		<u>\$ 539,035</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Note 1 - Summary of Significant Accounting Policies

Background and Reporting Entity

The *Recorder* acts as a conduit for the Commonwealth of Pennsylvania, the County of Chester, related political subdivisions, and the citizens it serves. Consequently, the *Recorder's* cash balance at any point in time represents undisbursed funds to one (or all) of these parties with the exception of the Recorder Records Fund, as explained below. For financial statement purposes, these undisbursed funds are included as a liability of the *Recorder*.

The actual operating expenses of the *Recorder* are paid by the County of Chester. These costs include the salary and wages of office employees, fringe benefits, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statements of Cash Receipts, Disbursements, and Cash Balances.

Basis of Accounting

The books and records of the *Recorder* are maintained on the cash basis of accounting. Consequently, receipts are recognized when received rather than when assessed or otherwise due, and disbursements are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying statements do not present the assets, liabilities, receipts, disbursements, and cash balances in accordance with generally accepted accounting principles.

Realty Transfer Tax

The Commonwealth of Pennsylvania requires the *Recorder* to collect realty transfer taxes on its behalf. The Commonwealth has set up a local bank account for these monies to be deposited daily. The bank account is controlled by the Commonwealth. The *Recorder* does not have withdrawal or check writing authority and does not receive bank statements. Consequently, the taxes collected and deposited into that account are not presented in the accompanying Statements of Receipts, Disbursements, and Cash Balances, pursuant to generally accepted accounting principles applicable to agency funds.

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Note 1 - Summary of Significant Accounting Policies (continued)

Recorder Records Fund

The *Recorder* established a new fund in 1998, as mandated by Act 8 of the Commonwealth. This fund is under the sole custody of the *Recorder*. This law authorizes a collection of a fee on each paper recorded that is to be used for the improvement of the *Recorder's* records system. The fee was increased from \$2 to \$5 as of August 2003 (Act 32). \$2 of this fee is remitted to the County of Chester as part of the monthly remittance. The other \$3 of the fee and interest earned is retained in a separate checking account. Any purchases made from this fund must be in accordance with the County of Chester budgeting, contract, and procurement procedures. Every 4 years from the inception of the Act, any balance plus interest remaining in the checking account must be turned over to the County for deposit in the county Records Improvement Fund.

Note 2 - Legal Matters

Our audit disclosed no pending litigation involving the *Recorder* or its Recorder of Deeds (Ryan A. Costello) for the year ended December 31, 2008.



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July 10, 2009

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Report on Compliance and on Internal Controls Over Financial Reporting

In accordance with Government Auditing Standards, the scope of our audit included an examination and evaluation of the adequacy and effectiveness of the *Recorder's* system of internal controls and the *Recorder's* quality of performance in carrying out its assigned responsibilities. The primary objectives of internal controls include the following:

- Safeguarding of assets
- Reliability and integrity of information
- Compliance with policies, procedures, laws, and regulations
- Compliance with provisions of contracts and lease agreements.

In addition, generally accepted auditing standards (GAAS) require that auditors obtain an understanding of the internal control process and assess control risk in financial statement audits. For a financial statement audit, internal control is defined as a process that is designed to provide reasonable assurance that objectives regarding the reliability of financial reporting, the effectiveness and efficiency of operations, and the compliance with applicable laws and regulations are achieved. The internal control process consists of five components. They are the *control environment*, *risk assessment*, *information and communication*, *monitoring*, and *control activities*.

The *control environment* sets the tone of the organization and is the foundation for all other components of internal control. The collective effect of various important factors defines the *control environment*, which in turn establishes, enhances, or mitigates the effectiveness of policies and procedures. These important factors include the entity's organizational structure and methods of assigning authority and responsibility.

The *risk assessment* is the entity's identification and analysis of relevant risks to the achievement of its objectives, and forms a basis for determining how the risks should be managed.

Information and communication are the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.

Monitoring is a process that assesses the quality of internal control performance over time.

Report on Compliance and on Internal Controls Over Financial Reporting (continued)

Control activities are the policies and procedures that help ensure management directives are carried out. These policies and procedures may be classified as:

- Authorization
- Segregation of duties
- Documentation
- Physical safeguards
- Independent checks and balances.

Our audit disclosed no significant deficiencies or material weaknesses that, in our opinion, pose a significant risk to the *Recorder* or the County of Chester.

A finding of a lesser significance in the area of internal control, specifically:

- Recording/Recordkeeping with respect to cash disbursements

has been addressed under separate cover with the management of the *Recorder* for its action and/or response. Copies of the Management Letter will be available upon request.

This Report is intended for the information of the Chester County Commissioners and the Chester County Court of Common Pleas. This Report is, however, a matter of public record, and its distribution is not limited.



Valentino F. DiGiorgio, III
Controller

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
SUMMARY OF EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2008

On July 1, 2009, Recorder of Deeds Ryan A. Costello indicated through a written confirmation that an exit conference would be waived for this year. Any findings were discussed at the closing conference. The Recorder of Deeds, Ryan A. Costello, has accepted the Report and Management Letter as presented.