



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

**Audit Report
For the Year Ended
December 31, 2011**

Office of the Recorder of Deeds

Annual Financial Statement
Audit

Valentino F. DiGiorgio, III, Controller

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
ANNUAL FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2011

Rick Loughery, Recorder of Deeds
Office of the Recorder of Deeds
313 W. Market Street, Suite 3302
West Chester, PA 19380

COUNTY OF CHESTER
OFFICE OF THE RECORDER OF DEEDS
FOR THE YEAR ENDED DECEMBER 31, 2011
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	7
AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS	9
SUMMARY OF EXIT CONFERENCE	11



COUNTY OF CHESTER OFFICE OF THE CONTROLLER

313 WEST MARKET STREET, SUITE 6302, PO BOX 2748, WEST CHESTER, PA 19380-0991
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

VALENTINO F. DIGIORGIO, III
Controller

February 16, 2012

Rick Loughery, Recorder of Deeds
Office of the Recorder of Deeds
313 W. Market Street, Suite 3302
West Chester, PA 19380

Internal Audit has audited the accounts of the *Office of the Recorder of Deeds (Recorder)* as of December 31, 2011, 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, 2011. 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, 2011, 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 February 16, 2012, 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, 2011

ASSETS

Cash – Recording Account	\$ 648,263
Cash – Municipal Account	2,778,185
Cash – Recorder Records Fund	215,438
Cash – Holding Account	278,563
Cash – Change Fund	<u>800</u>
Total Assets	<u>\$ 3,921,249</u>

LIABILITIES

County of Chester – Fees	\$ 465,344
Commonwealth of Pennsylvania – Fees	176,040
Commonwealth of Pennsylvania – Notary Commissions	1,764
Municipalities – Fees	2,778,185
Film Sales	3,000
Data Report Sales	660
Subscription Sales	1,455
Holding Account Payable	278,563
Recorder Record’s Fund	215,438
Change Fund Liability	<u>800</u>
Total Liabilities	<u>\$ 3,921,249</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, 2011

Receipts	
County of Chester - Fees	\$ 4,588,648
Commonwealth of Pennsylvania - Fees	1,717,162
Commonwealth of Pennsylvania - Notary Commissions	1,764
Interest – Recording Account	1,518
Interest – Holding Account	<u>51</u>
Total Receipts	<u>6,309,143</u>
Disbursements	
County of Chester - Fees	4,410,144
Commonwealth of Pennsylvania - Fees	1,738,399
Commonwealth of Pennsylvania - Notary Commissions	1,714
Recorder Records Fund	<u>242,424</u>
Total Disbursements	<u>6,392,681</u>
Cash Increase/(Decrease)	(83,538)
Beginning Balance	<u>731,801</u>
Ending Balance	<u>\$ 648,263</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, 2011

Receipts	
Fees Collected	\$ 25,325,362
Interest	<u>5,722</u>
Total Receipts	<u>25,331,084</u>
 Disbursements	
County of Chester-Fees and Interest	506,059
Municipalities and School Districts	<u>24,498,710</u>
Total Disbursements	<u>25,004,769</u>
 Cash Increase/(Decrease)	 326,315
Beginning Balance	<u>2,451,870</u>
Ending Balance	<u>\$ 2,778,185</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, 2011

Receipts		
Fees Collected	\$	242,424
Interest		<u>638</u>
Total Receipts		<u>243,062</u>
Disbursements		
County Records Improvement Fund		<u>915,006</u>
Total Disbursements		<u>915,006</u>
Cash Increase/(Decrease)		(671,944)
Beginning Balance		<u>887,382</u>
Ending Balance	\$	<u>215,438</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-
HOLDING ACCOUNT**

FOR THE YEAR ENDED DECEMBER 31, 2011

Receipts	
In-House 1% Commission - State RTT	\$ 98,250
E-Filings - State RTT	14,366,695
Interest	<u>49</u>
Total Receipts	<u>14,464,994</u>
Disbursements	
Transfers To	
Commonwealth of Pennsylvania Account	14,151,156
Recording Account – 1% Commission	238,500
Recording Account - Interest	<u>51</u>
Total Disbursements	<u>14,389,707</u>
Cash Increase/(Decrease)	75,287
Beginning Balance	<u>203,276</u>
Ending Balance	<u>\$ 278,563</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, 2011

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.

The Commonwealth of Pennsylvania bank account cannot be used as the initial receiving account for payments from Simplifile (e-recording). The vendor has no authority and is not bonded by the Commonwealth to make deposits to the state account. For this reason, the *Recorder* opened a

COUNTY OF CHESTER

OFFICE OF THE RECORDER OF DEEDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

Holding Account in December, 2009 for the deposits from Simplifile. On a daily basis, these funds (less the County's 1% commission) are transferred to the Commonwealth of Pennsylvania account via an e-business transfer.

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 four 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 that would affect the financial statements involving the *Recorder*, its Recorder of Deeds (Ryan A. Costello), and/or its Acting Recorder of Deeds (Ruth Huginar) for the year ended December 31, 2011.



COUNTY OF CHESTER OFFICE OF THE CONTROLLER

313 WEST MARKET STREET, SUITE 6302, PO BOX 2748, WEST CHESTER, PA 19380-0991
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

VALENTINO F. DIGIORGIO, III
Controller

February 16, 2012

Rick Loughery, Recorder of Deeds
Office of the Recorder of Deeds
313 W. Market Street, Suite 3302
West Chester, PA 19380

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

In planning our audit of the financial statements of the Office of the Recorder of Deeds (*Recorder*) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the *Recorder's* internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Recorder's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Recorder's* internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses have been identified.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the *Recorder's* financial statements will not be prevented, or detected and corrected on a timely basis.

As part of obtaining reasonable assurance about whether the *Recorder's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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*.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

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.

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, 2011

There were no findings for the audit of year ended December 31, 2011 therefore an exit conference was not warranted. The Recorder of Deeds, Rick Loughery, has accepted the audit report and management letter as presented.