



11/27/2024

COUNTY OF DELAWARE

Independent Auditor's Report for the period
January 1 to December 31, 2022

Register of Wills Custodian Fund

Joanne Phillips, Esq., Controller
COUNTY OF DELAWARE

County of Delaware
Register of Wills, Clerk of Orphans' Court

	Table of Contents	Page 1
Register of Wills Custodian Fund		2-12
	Independent Auditor's Report	2-4
	Statement of Assets and Liabilities - Cash Basis for the period January 1 to December 31, 2022	5
	Statement of Receipts and Disbursements - Cash Basis for the period January 1 to December 31, 2022	6
	Notes to Financial Statements	7-9
	Report on Internal Control Over Financial Reporting, Compliance, and Other Matters	10-12



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Independent Auditor's Report

Hon. Vincent A. Rongione Esq.
Register of Wills, Clerk of Orphans' Court
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201 W. Front St., Media PA 19063

Report on the Financial Statements

Opinion

We have audited the accompanying cash basis financial statements of the Office of the Register of Wills, Clerk of the Orphans' Court (Register) as of and for the year ended December 31, 2022, which comprise the statements of assets and liabilities arising from cash transactions and the related statements of receipts, disbursements, and cash balances (the "financial statements") and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Register as of December 31, 2022, and its cash receipts, disbursements, and cash balances for the year then ended, in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (*GAAS*) and the Government Auditing Standards issued by the Comptroller General of the United States (*GAS*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Register and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters - Basis of Accounting and Not Full County of Delaware Financial Statements

We draw attention to the basis of accounting described under Management's Responsibility for the Financial Statement section. The financial statements were prepared by the Register on the cash basis

of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements present only the activity of the Register and do not purport to, and do not, present fairly the financial position or results of operations of the County of Delaware, for the year ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Register's management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by GAS, this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Register's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Register's internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Register's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, Internal Audit Department has also issued a separate report dated November 27, 2024 on our consideration of the Register's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Register's internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Register's internal control over financial reporting and compliance.

Joanne Phillips, Esq.
Controller



January 14, 2025

Office of the Register of Wills, Clerk of Orphans' Court
County of Delaware, Pennsylvania
Statement of Assets and Liabilities - Cash Basis
For the period January 1 to December 31, 2022

Assets:		
Cash in Bank Operating Account		\$2,293,051
Due from County:		
Estate and Refunds		\$1,362
Total Assets		\$2,294,413
Liabilities:		
Due to County:		
County Fees		\$1,823,466
Commonwealth Fees		\$1,571
Inheritance Tax Commission		\$255,891
Electronic Copies Fees		\$93,336
Credit Card and Other Fees		\$89,915
Due to Register of Wills:		
Computer Fees		\$25,641
Due to Orphans' Court:		
Computer Fees		\$4,594
Total Liabilities		\$2,294,413

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

Office of the Register of Wills, Clerk of Orphans' Court
County of Delaware, Pennsylvania
Statement of Receipts and Disbursements - Cash Basis
For the period January 1 to December 31, 2022

Receipts		
County Fees		\$1,981,026
Commonwealth Fees		\$185,895
Inheritance Tax Commission		\$447,565
Electronic Copies Fees		\$130,673
Credit Card and Other Fees		\$35,176
Register of Wills Computer Fees		\$43,596
Orphans Court Computer Fees		\$7,387
Total Receipts		\$2,831,317
Disbursements		
County Fees		\$1,824,361
Commonwealth Fees		\$182,893
Inheritance Tax Commission Paid		\$424,747
Electronic Copies Fees		\$156,352
Estate and Refunds		\$282
Register of Wills Computer Fees		\$40,131
Orphans Court Computer Fees		\$7,203
Total Disbursements		\$2,635,969
Excess of cash receipts over cash disbursements		\$195,348
Cash in bank at December 31, 2021		\$2,097,703
Cash in bank at December 31, 2022		\$2,293,051

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

Office of the Register of Wills, Clerk of Orphans' Court
County of Delaware, Pennsylvania
Notes to Financial Statements
For the period January 1 to December 31, 2022

Note 1 - Summary of Significant Accounting Principles

Background and Reporting Entity

The financial transactions in the Office of the County of Delaware (County) Register of Wills, Clerk of Orphans' Court (Register) are custodial in nature. The Register collects the following fees and taxes: inheritance taxes for the Commonwealth of Pennsylvania Department of Revenue (Commonwealth); marriage license fees and taxes for the Commonwealth; Orphans' Court fees for both the County and Commonwealth; and Register of Wills, Clerk of Orphans' Court fees for both the County and Commonwealth. Inheritance taxes are deposited directly into a bank account held by the Commonwealth. All other fees and taxes collected are deposited into the Register of Wills, Clerk of Orphans' Court's bank operating account. The Register office is responsible for remitting these collections to the County Treasurer and/or the Pennsylvania Department of Revenue. Commissions on inheritance taxes are remitted by the Commonwealth to the Register of Wills, Clerk of Orphans' Court electronically into the Register's operating bank account. The Register issues checks for these inheritance taxes from the operating bank account to Treasurer's Office for deposit into the County's General Fund.

Rachel Ezzell Berry served as the Register of Wills, Clerk of Orphans' Court starting in March 2020 until December 31, 2023, while Vincent A. Rongione has served as Register of Wills, Clerk of Orphans' Court since January 1, 2024.

The Register acts as a conduit for the Commonwealth of Pennsylvania, the County of Delaware (County), and the citizens it serves to collect fees related to Register of Wills, Clerk of the Orphans' Court. Consequently, the Register's cash balance at any point in time represents undisbursed funds to one (or all) of these parties, with the exception of the automation fund. For financial statement purposes, these undisbursed funds are included as a liability of the Register. The automation fee is used to fund the Judicial Computer System (JCS) and Access to Justice (ATJ) accounts. A portion of the fee is also deposited into a special Register of Wills automation fund. This fund is used to update and automate the Register of Wills and Clerk of the Orphans' Court offices.

The actual operating expenses of the Register are budgeted by the County Council and paid by the County through the County's General Fund. These costs include the salaries and wages of Register employees, fringe benefits, office rent, postage, telephone, office supplies, computer use, and furniture and equipment. These costs are not included in the audited Statement of Receipts and Disbursements.

Basis of Accounting

The books and records of the Register 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.

Financial Reporting Entity

This report is intended to represent only those transactions for the administration and services delivered by the Register of Wills, Clerk of Orphans' Court (Register). This report is not intended to represent the financial position or results of operations of the County or to encompass all County receipt and disbursement activity.

Note 2 - Fees Collected and Automation Fund

The receipts under the Register of Wills, includes monies collected on behalf of the County and for the Commonwealth. The monies collected for the Commonwealth includes the following taxes and fees: a) Inheritance taxes represent inheritance filed with Register of Wills and b) Judicial Computer Systems represent a \$40.25 fee imposed for the initiation of any civil action or legal proceeding, including the filing of petitions for grants of letters, and first filing in petitions concerning adoptions, incompetent estates, minor estates, and intervivos trusts. The Orphan's Court collects monies on behalf of the Commonwealth the following: a) Marriage License tax of \$0.50 and a Marriage License Application Surcharge of \$10 on all marriage licenses filed with Orphan's Court and b) \$13 fee for the issuance of a marriage license (of which \$.50 goes to Commonwealth while \$12.50 goes to County).

The Register established a new fund pursuant to the Court of Common Pleas, Pennsylvania Orphans' Court Division Fee Bill: 42 P.S. 21022.1 and 210321.1. To bring the Register into line with the automation/modernization efforts of the other court-related offices, a \$10.00 automation fee was charged on all initial filings. Effective February 1, 2023 the fee increased from \$10.00 to \$15.00. The fees collected under this automation fund are used by the Register solely for the purpose of automation, computerization, and document reproduction within the offices of same.

The Register accepts ordering of copies and processing of credit card payments online for both marriage records and probate records. The Register utilizes the CountyFusion Recording System (CountyFusion), an online record management system and marriage/civil union license kiosk. This system provides online capabilities to search recorded records and purchase copies. For 2022, the CountyFusion processed 12,619 transactions and generated for County Fees a total amount of \$2,214,901.13 composed of County Fees, Register of Will Fees and Orphans' Court Fees.

The disbursement of County Fees of \$1,824,361 is the net amount after deduction of the Due to County of \$70,062. This \$70,062 was derived by the reconciliation of 2022 County Fees receipts (from CountyFusion) and disbursements (checks issued against the Operating Account).

Revenue from Electronic Copies (E-Copies) was processed via Converge Payment Gateway, a platform enabling payment acceptance through debit and credit cards, PayPal, electronic checks, and digital wallets.

The amounts received from "Credit Card and Other Fees" originate from two sources: a) additional credit card fees amounting to \$3,385.34, which were credited in the bank balance and b) other online transaction fees and refunds amounting to \$31,967.08 which were credited in the bank balance.

County commissions derived from Inheritance Tax were directly credited to the Register's account by the Commonwealth Department of Revenue.

Payments for filing fees were done through the Administrative Office of Pennsylvania Courts (AOPC) Guardianship Tracking System (GTS). Under the AOPC GTS, payment of any associated fees is accepted at the time a filing is submitted and may be made with a Visa, MasterCard, Discover, American Express, or ATM card. Upon the completion of a filing, it will be transmitted to the applicable court for processing.

Note 3 - Court Ordered Escrow

In the matter of contested estates, the Clerk of Orphans' Court is required to hold any collected funds in escrow until they are released by order of the court. The Clerk of Orphans' Court is permitted by statute, court-approved fee schedule, and court order to deduct poundage fees on any monies held in escrow. The estate escrow is held as certificates of deposit or in a separate money market account titled to the name of the estate. The escrow continues to earn interest until the court orders distribution of the funds. There were no contested estates wherein escrow was held by order of the court during 2022.

Note 4 - Inheritance Taxes

The Register of Wills, Clerk of Orphans' Court (Register) collected inheritance taxes in the amount of \$82,441,093.68 and processed 4,051 transactions during the period ending December 31, 2022, which is not reflected in the financial schedules. The Register deposits all inheritance tax payments into the Commonwealth's account daily. The Register received commissions in the total amount of \$447,565 for inheritance tax collections in 2022. These amounts are included as due to the County at December 31, 2022.

Note 5 - Custodial Credit Risk

A governmental entity in Pennsylvania may deposit its monies in a financial institution only if the financial institution pledges collateral for the deposit to the extent the deposit exceeds the Federal Deposit Insurance Corporation (FDIC) insurance limits. This requirement applies to any public deposits, including, for example, deposits in a checking or savings account and certificates of deposit. The Pennsylvania Legislature enacted Act 72 in 1971 (PA Act 72), and amended it in 2000, to enable financial institutions to pledge collateral on a pooled basis to secure public deposits in excess of the FDIC insurance limits.

The Register's policy for minimizing credit risk for bank balances exceeding Federal Deposit Insurance Corporation's insured limits relies upon PA Act 72. Custodial credit risk is the risk that in the event of bank failure, the Register's deposits may not be recovered. As of December 31, 2022, the Register's average daily balance of \$2.762 million, exceeded the individual account limits covered by the FDIC of \$250,000. The Register's cash balance on December 31, 2022 was \$2,293,051.



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**Independent Auditor's Report on Internal Control Over Financial Reporting,
Compliance, and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

January 14, 2025

Hon. Vincent A. Rongione Esq.
Register of Wills and Clerk of Orphans' Court
County of Delaware
201 W. Front St., Media PA 19063

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of assets and liabilities arising from cash transactions as of December 31, 2022, and the related statement of receipts, disbursements, and cash balances for the year then ended and the related notes to the financial statements of the Register of Wills, Clerk of Orphans' Court (Register) and have issued our report thereon dated November 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Register's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances 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 Register's internal control. Accordingly, we do not express an opinion on the effectiveness of the Register's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be a material weakness:

Need to improve financial reporting

As a part of the audit process, the auditors prepared the financial schedules from information provided by the Register of Wills, Clerk of Orphans' Court (Register). The financial schedules were subsequently reviewed by management to ensure that the data was accurately presented. However, management does not currently have a process in place to ensure that it can produce complete cash basis financial schedules without the assistance of an auditor. As such, there is a risk that the financial schedules prepared by management would not contain all cash receipts collected by the Register. For example, the Register provided the auditor with schedules of County Fees, that do not tally or cannot be identified against the subsidiary ledger and source documents. Payments to the County also need to be provided to the Treasurer on a timely and routine basis. To perform the audit, the auditors needed to perform a detailed tracing and reconstruction of entries to reconcile payments on previous year collections. Furthermore, the cash receipts collected through online credit card payments were maintained in a separate system that was not reconciled with the general ledger. In addition, the Register received inheritance tax commissions from the Commonwealth throughout the year, which was also not included within the general ledger detail.

Need to establish balancing and reconciliation procedures

The monthly bank to book reconciliations were not performed regularly, leading to unidentified variances and delays in receiving the funds, shown as follows:

- In 2022, 70 checks were issued, with discrepancies in their records (for example missing details for \$3.6 million remitted to the General Fund);
- A specific check #1295 for \$1.26 million was inaccurately recorded, with discrepancies in figures and lacking sufficient documentation for reconciliation; and
- The Register corrected a prior error by issuing a \$60,000 check without adequate explanations.

Need to improve accountability over custodial funds

Effective internal control procedures require that the adjusted bank balance be reconciled with liabilities on a monthly basis, and any discrepancies should be promptly investigated and resolved. However, several deficiencies were identified:

- Inadequate fund accountability: The Operating Account, which functions as an escrow account on behalf of the County and Commonwealth, did not maintain proper alignment between funds on hand and unpaid obligations. As of December 31, 2022, funds in the account exceeded recorded obligations by \$2.223 million, with an average idle balance of \$2.762 million;
- Lack of Review for Cancelled Checks: There were no established procedures for reviewing cancelled checks or verifying electronic copies for irregularities. For example, 70 checks were issued by the Register, with 12 checks (totaling \$1.1 million in County fees) cancelled without documented approval; and
- Incomplete Reconciliations for Online Transactions: Reconciliations were not adequately performed to ensure that credit card and online transactions are properly recorded and transmitted to the appropriate entity in a timely manner. For example, 12,619 deposit transactions totaling \$2.214 million were processed, including \$349,000 from credit card and online transactions, but these were not reconciled or appropriately transmitted to the County and Commonwealth.

These issues highlight the need for enhanced controls over custodial funds to ensure accountability and financial stewardship.

We recommend that the Register of Wills, Clerk of Orphans' Court's (Register) management:

1. develop procedures to ensure: a) the accuracy of transactions, verified against source documents at the end of business day; and b) the timely posting of transactions in the subsidiary and general ledger (SAP);
2. perform monthly bank to book reconciliations to promptly identify and correct errors;
3. coordinate with the Treasurer's and Controller's Offices to reconcile all accounts and post necessary adjustments in a timely manner;
4. verify all deposits to ensure completeness and accuracy;
5. develop procedures to ensure that payments to the County are accurate and reviewed by designated individual for completeness;
6. establish procedures to ensure timely transfers of funds to the County and Commonwealth; and
7. document and formally approve the review and reconciliation of bank accounts.

An exit conference was held with the Register on July 31, 2024 and the Register expressed full agreement with the above cited audit recommendations.

Management's response: "After being officially sworn into office on January 26th, 2024 and considering the devastating effects of the global COVID-19 pandemic on the previous few years' operations, the new Register and management team have undertaken a complete review of all accounts, internal controls, processes, and procedures. This ongoing effort has identified the concerns expressed here by the Auditor, and comprehensive corrective action is already underway. Since the finding, we have met internally with both the Controller and Treasurer's offices. We have also engaged an independent business process consultant to ensure immediate implementation of thorough written policies, procedures, and internal controls. A post pandemic reconciliation is scheduled for completion in the coming weeks, and we are confident that the new procedures and controls will result in all liabilities listed being equal to the adjusted end of month balance and disbursed to the appropriate agencies in a timely manner going forward."

The Register's written responses to the material weakness and other matters identified in our audit have not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the County of Delaware Council, County of Delaware Court of Common Pleas, the Auditor General of Pennsylvania, and all other political affiliates served by the Register. This report is, however, a matter of public record, and its distribution is not limited. We appreciate the cooperation of the Register of Wills and his staff through the audit process.

Joanne Phillips, Esq.
Controller