



COUNTY OF DELAWARE

Independent Auditor's Report for the period January 1, 2021 to December 31, 2021

Audit of the Financial Statements of the County of Delaware Register of Wills, Clerk of Orphans' Court

Joanne Phillips, Esq., Controller

AUGUST 7, 2024
COUNTY OF DELAWARE
201 W. FRONT STREET, MEDIA, PENNSYLVANIA 19063

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

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Independent Auditor's Report

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

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, 2021, 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, 2021, 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

years ended December 31, 2021 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.

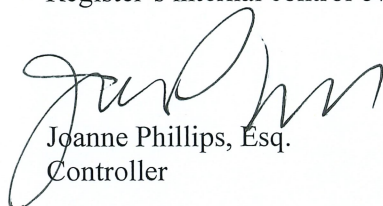
In performing an audit in accordance with GAAS and *GAS*, we:

- 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.
- 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 has also issued a separate report dated August 7, 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

August 7, 2024

Office of the Register of Wills, Clerk of Orphans' Court
County of Delaware, Pennsylvania
Statement of Assets, Liabilities and Account Balance – Cash Basis
For the period January 1 to December 31, 2021

Assets

Cash in bank - Operating account	<u>\$2,097,703</u>
Total Assets	<u><u>\$2,097,703</u></u>

Liabilities and Account Balance

Due to Delaware County - County Fees	\$222,799
Account Balance	<u>\$1,874,904</u>
Total Liabilities and Account Balance	<u><u>\$2,097,703</u></u>

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, Disbursements and Account Balances – Cash Basis
For the period January to December 31, 2021

Receipts

County Fees	\$1,937,812
Register of Wills Computer Fees	\$47,849
Orphans' Court Computer Fees	\$8,804
Commonwealth Fees	\$198,146
Inheritance Tax Commission	\$556,529
Electronic Copies Fees	\$119,047
Credit Card and Other Fees	\$54,739
Total Receipts	<u>\$2,922,924</u>

Disbursements

County Fees	\$1,023,821
Register of Wills Computer Fees	\$25,673
Orphans' Court Computer Fees	\$4,394
Electronic Copies Fees	\$32
Inheritance Tax Commission Paid	\$323,455
Commonwealth Fees	\$199,577
Estate and Refunds	\$1,080
Total Disbursements	<u>\$1,578,031</u>
Excess of cash receipts over cash disbursements	\$1,344,893
Account balance at December 31, 2020	<u>\$530,011</u>
Account balance at December 31, 2021	<u><u>\$1,874,904</u></u>

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, 2021 to December 31, 2021

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) is 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 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, 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 actual operating expenses of the Register are paid by the County of Delaware 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, Disbursements and Account Balances.

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 based on inheritance tax returns filed with the Register of Wills, and b) Judicial Computer Systems fees 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 collect monies on behalf of the Commonwealth for 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 the 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 to be 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 of documents 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 2021, the CountyFusion processed 11,297 transactions and generated \$2,670,041 in fees for the County, comprised of County Fees, Register of Will Fees and Orphans Court Fees.

The fees generated from Electronic Copies (E-Copies) were coursed through Converge Payment Gateway (Converge), a hosted solution that allows to accept payments from debit and credit cards to 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 \$6,837.00, which were credited in the bank balance; and b) other online transaction fees and refunds amounting to \$46,423.79 which were credited in the bank balance.

The Commonwealth Department of Revenue electronically deposits the County commissions derived from Inheritance Tax directly into the Register's operating bank Account.

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 debit 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 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 2021.

Note 4 - Inheritance Taxes

The Register of Wills, Clerk of Orphans' Court (Register) collected inheritance taxes in the amount of \$111,507,939.40 during the period ending December 31, 2021, which is not reflected in the financial schedules. The Register deposits daily all inheritance tax payments into the Commonwealth's account. The Register received commissions in the total amount of \$ 556,529 for inheritance tax collections in 2021. These amounts are included as due to the County at December 31, 2021.

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. For deposits, 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, 2021, the Register's average daily balance of \$1.648 million, exceeded the individual account limits covered by the FDIC of \$250,000. The Register's cash balance on December 31, 2021 was \$2,097,703.



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

August 7, 2024

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, 2021, and the related statement of cash 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 August 7, 2024.

Report on Internal Control Over Financial Reporting

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

Improving 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. 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 does not tally or cannot be identified against the subsidiary ledger and source documents. Payments to the County were also untimely. For example, the payments for County fees for January through June 2021 were not paid to the County until September 2021. Likewise, the County payments and disbursements for the July to December 2021 collections, totaling \$925,702.34, were paid to the County in a check in a lump for the amount of \$1,202,837.96 on December 29, 2022 more than one year later. The auditors needed to perform a detailed tracing and reconstruction of entries to reconcile the portion of this payment for the \$925,702.34 balance for the July through December 2021 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.

There are: a) inadequate processes to ensure all receipts and disbursements are reconciled to the general ledger to prepare accurate and complete financial information; b) no independent review and approval of bank reconciliations procedures are in place to ensure completeness, accuracy, and that reconciled amounts agree to the general ledger; c) no procedures for the review of cancelled checks or electronic copies of cancelled checks for any irregularities; d) no reconciliations performed monthly to ensure that credit card transactions are properly recorded and transmitted to the proper entity in a timely manner; and e) no procedures to ensure that proper payments to the County are made and that an employee is reviewing the payments.

These conclusions were reached primarily due to a determination that the Register Office did not have staff with the understanding to perform timely, accurate, and complete reconciliation from the subsidiary ledger to the general ledger. This poses a risk that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis, potentially resulting in financial loss.

Improving Cash Management and Recording

The Register maintained an Operating Account and Inheritance Tax Sweep Account, both non-interest-bearing checking accounts.

The Register as a custodian of these funds is exposed to Custodial Credit Risk. Custodial Credit Risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. There was no evidence that the local financial institution where Register maintains its funds had satisfied the collateralization requirement, in compliance with PA Act 72, to cover public funds on deposit in excess of federal insurance. This was mainly due to lack of cash management and deposit policy for custodial funds. As a result, the County is financially exposed on public funds not covered by federal insurance. The Treasurer of Delaware County advised that the funds are currently covered under Act 72 although there was no evidence provided by the local financial institution to the County at this point.

The Register custodial cash accounts (Operating Account and Inheritance Tax Sweep Account), since their inception, were not booked to the general ledger of the County of Delaware in the SAP. As of December 31, 2021, the operating account had a balance of \$2,097,702.58 while the inheritance tax had a balance of \$161,261.71. Off book refers to transactions or activities that occur outside the official record-keeping systems, as it directly influences transparency, regulatory compliance, and risk management. As a result, the non-booking of this account reduces the reporting of the cash position of the County.

Recommendations:

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

1. strengthen, as a first layer of internal control, its oversight on cash management including its banking transactions and processing;
2. develop/build personnel capacity to process and prepare its financial statements to ensure all receipts and disbursements are reconciled to the general ledger and prepared timely, accurately, and completely;
3. perform a reconciliation monthly to ensure that such credit card transactions are properly recorded and transmitted to the proper agency in a timely manner;
4. develop procedures to ensure that payments to the County are made for the correct amount and that an employee is reviewing the payments to ensure completeness;
5. establish procedures to ensure transfers of funds to the County and Commonwealth are made in a timely manner;
6. document the review and approval of bank reconciliations;
7. coordinate with the Office of the Treasurer to select a banking institution that will provide a better return on cash deposits;
8. develop cash management and deposit policy for custodial funds to ensure funds are deposited with institutions that meet the requirements of PA Act 72; and
9. record the Register custodial cash accounts to the general ledger of the County of Delaware in SAP.

An exit conference was held with the Register of Wills, Clerk of Orphans' Court's (Register) on July 31, 2024 and the Register expressed full agreement with the above cited audit recommendations. The Register will formally respond to the material weakness and other matters identified in our audit.

The Register advised that he hired a consultant to help address the deficiencies in internal control considered as a material weakness. However, their responses will not be 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 Register of Wills and Clerk of Orphans' Court, 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.

Joanne Phillips, Esq.
Controller

