

Independent Accountants' Report on Applying Agreed-Upon Procedures

To Joanne Phillips, Controller of
County of Delaware, Pennsylvania

We have performed the procedures enumerated below, which were agreed to by the Controller of the County of Delaware ("County") for purposes of evaluating internal controls associated with certain functions of the Recorder of Deeds Office for the period January 1, 2018 through December 31, 2018. The County of Delaware management is responsible for procedures listed from January 1, 2018 through December 31, 2018. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Inquire as to the types of controls surrounding cash receipts collected by the Recorder of Deeds Office; and inspect a sample of 40 cash receipts.

We inquired as to the types of controls surrounding cash receipts for recorder fees collected by the Recorder of Deeds and inspected a sample of 40 cash receipts with the following exceptions identified:

- **The bank deposit for August 20, 2018 did not agree to the Summary of Charges by \$.50 due to a clerical processing error. This exception does not affect the fees collected for the County Records Improvement Fund, Recorder of Deeds Records Improvement Fund, Affordable Housing Fund, and Demolition Fund as inspected in procedures 2, 4, 6, or 8.**
2. Inquire as to the types of controls surrounding the receipt, monitoring, and reporting of fees collected for the County Records Improvement Fund.

We inquired of Jacqueline Kirby, Deputy Recorder of Deeds, regarding the controls surrounding the receipt, monitoring, and reporting of fees collected for the County Records Improvement Fund. She indicated that there are no formal monitoring controls in place. We also inquired with Jim Hayes, Budget Director, Charlene Mangano, Treasurer, and Jeff Powers, First Deputy Controller who indicated they were not aware of any formal monitoring controls in place for the County of Delaware Records Improvement fund. Additionally, the Deputy Recorder of Deeds indicated that fees allocated to the fund are determined by Pennsylvania Statutes Title 42 P.S. Judiciary and Judicial Procedure § 21052.1. County Records Improvement Fund ("42 P.S. § 21052.1"). We compared the requirements of the statute to the controls in place.

Pursuant to 42 P.S. § 21052.1 b(2)"The amount of \$ 2 shall be deposited in the County Records Improvement Fund for use as prescribed..."

Pursuant to 42 P.S. § 21052.1, "Funds deposited in the County Records Improvement Fund shall be expended in accordance with a comprehensive records management plan based on the goal of standardizing and equalizing the capabilities of all county offices consistent with their need to receive, manage and provide information to the public as efficiently as possible. The plan shall be developed and administered in the following manner:

(1) Each county shall establish a County Records Improvement Committee. The County Records Improvement Committee shall assess the relative records management capabilities and records management needs of each office and develop recommendations to the county commissioners for a comprehensive records management plan consistent with the goal established in this subsection."

We inquired of the Register of Wills, Treasurer, Recorder of Deeds, Budget Director, Controller, and Executive Director who indicated the County Records Improvement committee was not active during the period of January 1, 2018 through December 31, 2018. Per inquiry of the Executive Director, the committee was established in the early 2000s when the County Records Improvement Fund was created, but it has not been active in many years.

"(2) The county commissioners or their equivalent in a home rule charter county shall adopt and provide for administration of a comprehensive records management plan that is based on the recommendations of the County Records Improvement Committee and is consistent with the goal established in this subsection. The plan may be amended from time to time in consultation with the County Records Improvement Committee."

We inquired of the Register of Wills, Treasurer, Recorder of Deeds, Budget Director, Controller, and Executive Director who indicated a comprehensive records management plan has not been adopted.

"(3) The County Records Improvement Fund shall be expended and administered consistent with regular county budgeting, contracting and procurement practices and administrative procedures. The County Records Improvement Fund shall be audited by the appropriate auditing agency, and any unexpended balance, together with interest earned on the County Records Improvement Fund, shall be left in the County Records Improvement Fund to accumulate from year to year."

We reviewed the general ledger activity and identified the records improvement funds have been recorded on the general ledger as a separate account restricted in purpose towards use in direction of the County Records Improvement Fund (01-257510). There were no expenditures charged to the fund as indicated in procedure 3. We inquired of the Recorder of Deeds, Deputy Recorder of Deeds, and First Deputy Controller who indicated that there have been no audits of the County Records Improvement Fund to their knowledge.

3. Inspect a maximum sample of 10 expenditures from the County Records Improvement Fund for compliance with fund restrictions.

N/A - The County Records Improvement Fund had no expenditures during the period of January 1, 2018 through December 31, 2018.

4. Inquire as to the types of controls surrounding the receipt, monitoring, and reporting of fees collected for the Recorder of Deeds Records Improvement Fund.

We inquired of Jacqueline Kirby, Deputy Recorder of Deeds, regarding the controls surrounding the receipt, monitoring, and reporting of fees collected for the Recorder of Deeds Records Improvement Fund. She indicated that there are no formal monitoring controls in place. We also inquired of the Jim Hayes, Budget Director, Charlene Mangano, Treasurer, and Jeff Powers, First Deputy Controller who indicated they were not aware of any formal monitoring controls in place for the Recorder of Deeds Records Improvement fund. Additionally, the Deputy Recorder of Deeds indicated that fees allocated to the fund are determined by Pennsylvania state statute 42 P.S. § 21052.1. We compared the requirements of the statute to the controls in place.

Pursuant to 42 P.S. § 21052.1b(1), “ The amount of \$3 shall be retained in a separate fund within the office of the Recorder of Deeds to be used, in accordance with regular county budgeting, contracting and procurement practices, to support development and improvement of office records management activities and systems in the office of the Recorder of Deeds or in its equivalent in a home rule charter county. Amounts in the separate fund shall not be used to substitute any allocations of general revenues for the operation of the recorder’s office without the express consent of the recorder...”

Receipts were inspected as a component of procedure 1, and fees were properly retained and restricted for the Recorder of Deeds Records Improvement Fund (01-257500). Expenditures were inspected in procedure 5.

“The separate fund shall be audited by the appropriate auditing agency, and any unexpended balance, together with interest earned on the separate fund, shall be left in the separate fund to accumulate from year to year. Beginning with the close of the fiscal year four years after the effective date of this section and every four years thereafter, any unencumbered funds remaining in the separate fund shall be transferred to the County Records Improvement Fund.”

We inquired of Jacqueline Kirby, Deputy Recorder of Deeds, Jeff Powers, Deputy Controller, Jim Hayes, Budget Director, and Marianne Grace, Executive Director who indicated that they are not aware of the occurrence of any audits of the Recorder of Deeds Records Improvement Fund. Additionally, per inspection the general ledger activity and inquiry of Jacqueline Kirby, Deputy Recorder of Deeds, and Jim Hayes, Budget Director there have been no transfers of unencumbered funds to the County Records Improvement Fund.

5. Inspect a maximum sample of 10 expenditures from the Recorder of Deeds Records Improvement fund for compliance with fund restrictions.

We inspected a sample of 10 expenditures from the Recorder of Deeds Records Improvement Fund for compliance with fund restrictions and identified the following exceptions:

- 8 of the 10 expenditures selected were payroll for a Delaware County employee Stuart Bowie, Assistant Solicitor. Per discussion with Michael Maddren, Solicitor, and Stuart Bowie, Assistant Solicitor, Stuart Bowie works in the solicitors office with direct involvement with the Sheriff’s Office. Per discussion with Jacqueline Kirby, Deputy Recorder of Deeds, Jim Hayes, Budget Director, Michael Maddren, Solicitor, and Stuart Bowie, Assistant Solicitor Stuart was not involved in the “improvement of office records management activities or systems in the office of the Recorder of Deeds” during the period of January 1, 2018 through December 31, 2018 as required by the restrictions imposed within P.S. § 21052.1.

6. Inquire as to the types of controls surrounding the receipt, monitoring, and reporting of fees collected for the Affordable Housing Fund.

We inquired of Jacqueline Kirby, Deputy Recorder of Deeds, and Maureen Delong, Grant Accountant, regarding the controls surrounding the receipt, monitoring, and reporting of fees collected for the Affordable Housing Fund. They indicated that the fund is monitored by Maureen Delong, Grant Accountant, Office of Housing and Community Development.

Pursuant to Section 4 of Ordinance No 93-3, Amended by Section 1 of Ordinance 99-3 the affordable housing fee "charged for the recording of deeds is \$18.00 plus \$2.00 per page for each page after the fourth page, and for the recording of mortgages to \$16.00 plus \$2.00 per page for each page after the fourth page". Per Act No. 1992-137 Section 5, "All additional moneys raised under section 4 shall be deposited in the general fund of the county and shall be allocated as follows: A minimum of 85% or such higher amount as may be determined by the county of the additional revenue shall be set aside in a separate account to be used to fund affordable housing efforts in the county. Fifteen percent of the amount allocated under this paragraph may be used by the county for administrative costs associated with the affordable housing efforts."

Receipts were inspected as a component of procedure 1, and fees were retained and restricted for the Affordable Housing Fund (01-240720). Expenditures were inspected as a component of procedure 7.

7. Inspect a maximum sample of 10 expenditures from the Affordable Housing fund for compliance with fund restrictions.

We inspected a sample of 10 expenditures from the Affordable Housing Funds for compliance with fund restrictions. No exceptions were identified as a result of this procedure.

8. Inquire as to the type of controls surrounding the receipt, monitoring, and reporting of fees collected for the Demolition Fund.

We inquired of Jacqueline Kirby, Deputy Recorder of Deeds, and Maureen Delong, Grant Accountant, regarding the controls surrounding the receipt, monitoring, and reporting of fees collected for the Demolition Fund. They indicated that the fund is monitored by Maureen Delong, Grant Accountant, Office of Housing and Community Development.

Pursuant to 42 P.S. § 21052.2, the county has elected the option to charge and collect a fee of \$15 for each deed and mortgage recorded.

Receipts were inspected as a component of procedure 1, and fees were retained and restricted for the Demolition Fund (01-257515). Expenditures were inspected in procedure 9.

Per 42 P.S. § 21052.2, "A county that creates a county demolition fund in accordance with this section shall:

(i) Within 90 days of imposing the fee authorized by this section, file an initial report with the Department of Community and Economic Development. The initial report shall include a plan on how the revenue received under this section will be spent, how many properties will likely be demolished and any other information that would be relevant to the demolition program of the county."

(ii) Not less than 12 months after imposing the fee authorized by this section and annually thereafter, prepare a report on the use of the fund and submit the report to the Department of Community and Economic Development. The annual report shall include how many properties were demolished, the cost of demolition per property and any other information that would be relevant to the demolition program of the county."

We obtained a copy of each report filed from Maureen Delong, Grant Accountant and the report submission date was within the appropriate timeframe and included the annual report information.

9. Inspect a maximum sample of 10 expenditures from the Demolition Fund for compliance with fund restrictions.

We inspected a sample of 10 expenditures from the Demolition Fund for compliance with fund restrictions. No exceptions were identified as a result of this procedure.

10. Obtain the following for each financial institution with whom the Recorder of Deeds has a relationship:

- a. Listing of all active bank accounts
 - We obtained the following listing of active bank accounts for the period January 1, 2018 through December 31, 2018:
 - County of Delaware General Fund Main Deposit Account #2000031241959
 - County of Delaware Recorder of Deeds For Commonwealth of Pennsylvania Account #2100000016510

- b. Listing of all bank accounts closed within the last 2 years

We inquired of Jackie Kirby, Deputy Recorder of Deeds, who indicated that no bank accounts have been closed in the prior two years.

- c. Listing of authorized check signers for each account

We obtained a listing of all authorized check signers noting the authorized signers are the Controller, Treasurer, and County Council Chair, as the account is General Fund maintained by the Controller's office. The County of Delaware Recorder of Deeds For Commonwealth of Pennsylvania Account #2100000016510 is inaccessible to County of Delaware employees.

11. Inquire as to the accounting treatment of receipts and expenditures of the County Records Improvement Fund, Recorder of Deeds Records Improvement Fund, Affordable Housing Fund, and Demolition Fund to confirm it is in accordance with *Governmental Accounting Standards*. Provide recommendations, as necessary, for changes in accounting treatment of these funds.

We inquired of Jackie Kirby, Deputy Recorder of Deeds, Maureen DeLong, Grant Accountant, Jim Hayes, Budget Director, and Jeff Powers, First Deputy Controller as to the accounting treatment of receipts and expenditures of the County Records Improvement Fund, Recorder of Deeds Records Improvement Fund, Affordable Housing Fund, and Demolition Fund (collectively the "funds"). We inspected examples of the daily, monthly, and as needed entries posted to account for these funds, as well as, the annual reporting classification. We compared the activities of the accounting with the associated Generally Accepted Governmental Accounting Standards.

In accordance with Governmental Accounting Standard Board (GASB) 33, the fees collected for these funds meet the definition of derived tax revenues. Derived tax revenues result "from assessments imposed on exchange transactions". The fees associated with the funds are imposed upon the exchange transactions occurring within the Recorder of Deeds office. The use of the funds has purpose restrictions included within the enabling legislation. Those purpose restrictions should not affect when revenue is recognized; rather, the government should recognize the revenue and report the resulting fund balance as restricted until the resources are used for the specified purpose. These funds satisfy the definition of special revenue funds as defined by GASB 54. Paragraph 30. "Special revenue funds are used to account for specific revenue sources that are restricted to expenditure for specific purposes" Special revenue funds "may initially be received in another fund and subsequently distributed to a special revenue fund." The funds should not be recognized as revenue in the fund initially receiving them; [they should be] recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes."

For the period of January 1, 2018- December 31, 2018, the funds for the County Records Improvement Fund, the Recorder of Deeds Records Improvement Fund, and the Demolition Fund were recorded and reported in unique general ledger accounts classified as other liabilities. The funds for the Affordable Housing Fund were recorded and reported in a unique general ledger account classified as deferred revenues. No revenues or expenditures were recognized for transactions relative to these funds.

We recommend for the reporting period December 31, 2019; the County of Delaware reclassify these funds to a new or existing Special Revenue Fund(s), recognize the net revenues, and current year expenditures on the statement of activities, and report the resulting fund balance as restricted fund balance. We would recommend reclassifying the cash associated with these funds from the general fund to the newly created Special Revenue Fund.

12. Summarize recommendations relating to our findings and procedures performed in steps 1-11.

We recommend controls surrounding the monitoring of County Record Improvement Funds and the Recorder of Deeds Improvement Fund be implemented. Such controls may include monthly reconciliations and review of expenditures against allowable costs pursuant to 42 P.S. § 21052.1.

We recommend formalization of the County Records Improvement Committee in accordance with 42 P.S. § 21052.1(c)(1) " made up of the county commissioners, sheriff, prothonotary, clerk of court, register of wills and treasurer or their equivalent..."

We recommend the adoption of a comprehensive records management plan based upon the recommendations of the County Records Improvement Committee in accordance with 42 P.S. § 21052.1(c)(2).

We recommend the County Recorder of Deeds Improvement Fund be prepared for an audit by appropriate auditing agencies, by transferring any unencumbered funds remaining in the County Recorder of Deeds Improvement Fund to the County Records Improvement Fund. This transfer should occur beginning four years after the effective date of 42 P.S. § 21052.1 and every four years thereafter, as such this process should be completed in 2022.

We recommend the salary of Stuart Bowie, Assistant to the Solicitor be charged to the Solicitor, Sheriff, or other department more consistent with his current job focus in accordance with restrictions imposed by 42 P.S. § 21052.1.

We recommend for the reporting period December 31, 2019; the County of Delaware reclassify the County Records Improvement Fund, Recorder of Deeds Records Improvement Fund, Affordable Housing Fund, and Demolition Fund to a new or existing Special Revenue Fund(s) recognize the net revenues, and current year expenditures on the statement of activities, and report the resulting fund balance as restricted fund balance. We would recommend reclassifying the cash associated with these funds from the general fund to the newly created Special Revenue Fund.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on procedures listed above from January 1, 2018 through December 31, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Controller and Recorder of Deeds of the County of Delaware and is not intended to be, and should not be, used by anyone other than those specified parties.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
December 31, 2019