




COUNTY OF LEHIGH  
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER  
17 SOUTH SEVENTH STREET  
ALLENTOWN, PA 18101-2400  
(610) 782-3082 FAX: (610) 820-3335

THOMAS SLONAKER  
COUNTY CONTROLLER

JOHN A. FALK  
DEPUTY CONTROLLER

**TO:** Final Report Distribution  
**FROM:** Thomas Slonaker, County Controller  
**DATE:** March 30, 2011  
**RE:** Audit of Clerk of Judicial Records - Register of Wills



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We have completed a financial audit of the clerk of judicial records - register of wills division for the years ended December 31, 2008 and 2009. Our audit report number 11-8 is attached.

The results of our audit are:

- The County of Lehigh received the proper amounts due from clerk of judicial records-register of wills division.
- Verification of inheritance tax commissions will be performed using a new monthly report provided by the state Department of Revenue.
- Old outstanding amounts due the county (from the prior Register of Wills) were deemed uncollectible by the County of Lehigh Department of Law.

Attachment

**COUNTY OF LEHIGH, PENNSYLVANIA**  
**CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS**

*Financial Audit for the Years Ended  
December 31, 2008 and 2009*

REPORT NO. 11-8

COUNTY OF LEHIGH, PENNSYLVANIA  
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS

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COUNTY OF LEHIGH, PENNSYLVANIA  
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS

*Background*

Clerk of Judicial Records - Register of Wills Operations

The clerk of judicial records - register of wills probates wills and collects taxes for the Commonwealth of Pennsylvania. It assists the public, title searchers, attorneys, and genealogists in the research of information from the probate files. Records date back to 1812.

The "Schedule of Filing Fees" used during the audit period has 13 different fees for filing "Letters Testamentary/Administration". These fees range from \$25 to \$700 based on the estimated estate value. In addition, there are other fees that are charged to most new estates. These fees include: filing an inventory, short certificate, filing the inheritance tax return, and the Commonwealth of Pennsylvania's Judicial Computer Project Fee. In 2010 clerk of judicial records - register of wills began using an updated fee schedule.

When a new estate is probated, the attorney of record or a family member comes into the register of wills office to probate the estate. At this time, a fee is charged for this service. Some fees are on a sliding scale and some fees are fixed amounts. After the fees are paid, the estate is probated. The inheritance tax return is sent to the Commonwealth of Pennsylvania. The Commonwealth of Pennsylvania reviews the inheritance tax return for errors and omissions and the inheritance tax is calculated. The Commonwealth of Pennsylvania sends a "Notice of Inheritance Tax Appraisal, Allowance or Disallowance of Deductions and Assessment of Tax" to all parties. After the "Notice of Inheritance Tax Appraisal, Allowance or Disallowance of Deductions and Assessment of Tax" has been received, the register of will's staff reviews all county fees charged. If the county fees initially charged are less than what they should be, the attorney or family member is billed the difference.



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Andrea E. Naugle, Clerk of Judicial Records  
Lehigh County Courthouse  
455 W. Hamilton Street  
Allentown, PA 18101-1614

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balance of the clerk of judicial records - register of wills for the years ended December 31, 2008 and 2009 as listed in the Table of Contents. The financial statements are the responsibility of the clerk of judicial records - register of wills' management. Our responsibility is to express an opinion on the Statement of Receipts, Disbursements, and Changes in Cash Balance based on our audit.

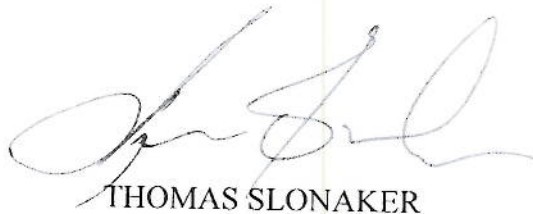
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the financial statements present only the clerk of judicial records - register of wills financial activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of the County of Lehigh for the years ended December 31, 2008 and 2009 in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the Statement of Receipts, Disbursements, and Changes in Cash Balance referred to above presents fairly, in all material respects, the financial activity arising from cash transactions of the clerk of judicial records - register of wills for the years ended December 31, 2008 and 2009, on the basis of accounting described in Note 1. However, we noted non-material issues that are described in the accompanying "*Schedule of Audit Findings and Recommendations*" and "*Schedule of Prior Audit Findings and Recommendations*".

In accordance with *Government Auditing Standards*, we have also issued a report dated March 25, 2011 our consideration of register of wills' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



THOMAS SLONAKER  
County Controller

March 25, 2011  
Allentown, Pennsylvania

Final Distribution

Board of Commissioners

Donald T. Cunningham, Jr., County Executive

Barbara H. Engleman, Chief Deputy, Clerk of Judicial Records-Register of Wills

Brian L. Kahler, Fiscal Officer

The Honorable Carol K. McGinley, President Judge

COUNTY OF LEHIGH, PENNSYLVANIA  
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS

*Statement of Receipts, Disbursements, and Changes in Cash Balance  
for the Year Ended December 31, 2008 and 2009*  
(NOTE 1)

	<u>2008</u>	<u>2009</u>
RECEIPTS:		
Inheritance Tax	\$ 17,819,611	\$ 20,947,726
Office Fees	225,570	208,336
Inheritance Tax Commissions	107,412	115,725
Judicial Computer Project Fees	11,580	12,691
Overpayments	510	155
TOTAL RECEIPTS .....	18,164,683	21,284,633
DISBURSEMENTS:		
Commonwealth of PA (NOTE 2)	17,831,171	20,959,506
County of Lehigh (NOTE 3)	332,982	324,061
Refund of Overpayments	510	155
TOTAL DISBURSEMENTS .....	18,164,663	21,283,722
EXCESS OF RECEIPTS OVER/(UNDER) DISBURSEMENTS.....	20	911
CASH BALANCE, JANUARY 1, 2008 and 2009 .....	830	850
CASH BALANCE, DECEMBER 31, 2008 and 2009....	\$ 850	\$ 1,761

The accompanying notes are an integral part of this statement.

COUNTY OF LEHIGH, PENNSYLVANIA  
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS

*Notes to Financial Statements for the Years Ended December 31, 2008 and 2009*

1. **Summary of Significant Accounting Policies**

**A. Reporting Entity**

A portion of the clerk of judicial records-register of wills financial activity is a part of the County of Lehigh's reporting entity, included in the general fund and is subject to annual financial audit by external auditors. This report is only for internal audit purposes.

**B. Basis of Accounting**

The accounting records of the County of Lehigh and the Statement of Receipts, Disbursements, and Changes in Cash Balance are maintained on the cash receipts and disbursements basis of accounting. Under this basis of accounting, revenue is recognized when cash is received and expenditures are recognized when paid. This differs from Generally Accepted Accounting Principles (GAAP) which require the accrual basis of accounting.

2. **Commonwealth of Pennsylvania**

Expenditures to the Commonwealth of Pennsylvania are broken down into the following categories:

	<u>2008</u>	<u>2009</u>
Inheritance Tax	\$17,819,611	\$20,947,726
Judicial Computer Project Fees	11,560	11,780
<b>TOTAL .....</b>	<b>\$17,831,171</b>	<b>\$20,959,506</b>

3. **County of Lehigh**

Expenditures to the County of Lehigh are broken down into the following categories:

	<u>2008</u>	<u>2009</u>
Office Fees	\$ 225,570	\$ 208,336
Inheritance Tax Commissions	107,412	115,725
<b>TOTAL .....</b>	<b>\$ 332,982</b>	<b>\$ 324,061</b>





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Andrea E. Naugle, Clerk of Judicial Records  
Lehigh County Courthouse  
455 W. Hamilton Street  
Allentown, PA 18101-1614

We have audited the financial statements of clerk of judicial records - register of wills for the years ended December 31, 2008 and 2009 and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with 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.

In planning and performing our audit, we considered clerk of judicial records - register of wills' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement of Receipts, Disbursements, and Changes in Cash Balance, but not for the purpose of expressing an opinion on the effectiveness of the clerk of judicial records - register of wills' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the clerk of judicial records - register of wills' internal control over financial reporting.

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 misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

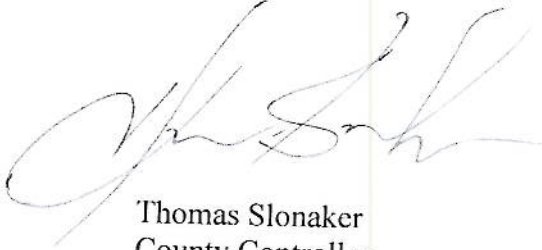
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

As part of obtaining reasonable assurance about whether clerk of judicial records - register of wills' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

We noted certain matters that we reported to management of clerk of judicial records - register of wills in a separate section titled "*Schedule of Audit Findings and Recommendations*" and "*Schedule of Prior Audit Findings and Recommendations*".

Clerk of judicial records - register of wills' response to our audit is included in this report. We did not audit clerk of judicial records - register of wills' response and, accordingly, we do not express an opinion on it.

This report is intended solely for the information and use of management, and other affected county offices and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Thomas Slonaker  
County Controller

March 25, 2011  
Allentown, Pennsylvania

COUNTY OF LEHIGH, PENNSYLVANIA  
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS

*Schedule of Audit Findings & Recommendations*

1. Commonwealth of Pennsylvania documentation of commissions revenue

**Condition:** The Commonwealth of Pennsylvania pays a commission to the county for all inheritance tax collected on the commonwealth's behalf. This commission is on a sliding scale based on the amount of inheritance tax collected. The payment is made via direct deposit into the county's account. Occasionally, the amount paid differs from the amount expected using the Commonwealth of Pennsylvania's sliding scale. According to the Commonwealth's department of revenue this is to be expected due to bad checks used to pay inheritance tax, inheritance tax amounts collected for and in other counties, etc.

The state procedure was to return a monthly report to clerk of judicial records - register of wills accounting for the differences. As a matter of policy, the state no longer provides an accounting of the differences. Clerk of judicial records – register of wills contacted the state and was able to obtain an accounting of the differences for 2010.

**Recommendation:** Clerk of judicial records – register of wills should work with the state to receive an accounting of differences between expected commissions and actual commissions on an ongoing basis.

2. Charges on NSF checks not marked as unpaid in Odyssey

**Condition:** When a check is returned to the clerk of judicial records – register of wills, the charges in Odyssey that the check was meant to pay are not marked as unpaid. When a subsequent payment is made, staff is unable to generate a receipt for the whole amount paid since the charges in Odyssey are already marked as paid.

**Recommendation:** Clerk of judicial records – register of wills should begin marking charges as unpaid in Odyssey when a check is returned NSF.

COUNTY OF LEHIGH, PENNSYLVANIA  
CLERK OF JUDICIAL RECORDS - REGISTER OF WILLS

*Schedule of Prior Audit Findings & Recommendations*

1. Uncollected county revenue (\$3,526)

**Condition:** As of July 8, 2008, there were 88 bills from 2004 to 2007 amounting to \$3,526 in uncollected county revenue. These bills (manually prepared by the office staff) represent additional county fees due because of a change in the estimated estate value versus the actual estate value. Twenty-seven of the 88 bills (31%) are for \$5 or less. Outstanding bills are not listed on the county's financial statements. Management does not have the list of outstanding bills computerized. The bills are kept in a metal box, in alphabetical order.

**Recommendation:** We recommend management establish a threshold for pursuing the collection of unpaid bills. The threshold should consider the cost of collecting unpaid bills. Unpaid bills over the established threshold for collection should be sent a reminder notice. After the reminder notice has been sent, all remaining unpaid invoices should be forwarded to the county Department of Law. All unpaid bills deemed to be uncollectible should be held for audit by the controller.

**Current Status:** The majority of these bills are still outstanding. These bills are from a previous register of wills. Clerk of judicial records – register of wills should consult with their solicitor to determine a final disposition of these bills.

2. Update fee schedule/additional billings

**Condition:** The current county fee schedule is based on a multi-tiered fee with 13 different ranges of estate values. The dollar values between the estate ranges are very narrow. These narrow ranges create the need for the staff to send an additional bill to most estates after the final estate value has been determined. The initial county fee is based on the estimated estate value.

The office staff uses a manual billing system to assess additional county fees to estates that have already paid their initial recording fees. The initial county fee is based on the estimated estate value and the additional bill is based on the final estate value. The manual bills are not recorded in Odyssey, the office's computer system.

This condition was noted in our previous audit reports.

**Recommendation:** The county fee schedule should be updated with wider ranges between the estate values. The office management should consider the creation of a comprehensive fee that would cover all fees that are charged when a will that is recorded and use Odyssey to create the bills for the additional county fees.

**Current Status:** A new fee schedule was approved and went into effect on January 1, 2010. Office management is not utilizing Odyssey to record or create bills for additional county fees. However, they are currently working with Tyler to begin using Odyssey for billing of additional county fees.

*Lehigh County Clerk of Judicial Records*

Civil Division

(610) 782-3148

Criminal Division

(610) 782-3077

Recorder of Deeds

Division

(610) 782-3162

**Andrea E. Naugle**  
Lehigh County Courthouse  
455 W. Hamilton Street - Room 122  
Allentown, PA 18101-1614

Register of Wills

Division

(610) 782-3170

March 25, 2011

Mr. Thomas Slonaker  
Controller  
Lehigh County Government Center  
17 S. 7<sup>th</sup> Street  
Allentown PA 18101-2400

RE: Audit of Clerk of Judicial Records – Register of Wills Division – 2008 - 2009

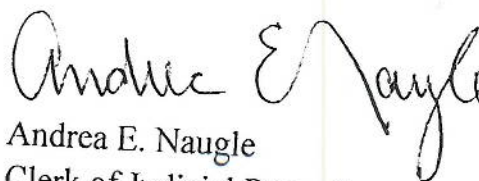
Dear Mr. Slonaker:

As you already are aware, I took over the Register of Wills responsibilities with my election as Clerk of Judicial Records in 2008. Since that time, we never received a report from the Department of Revenue concerning the payment of commissions for the collection of Inheritance Taxes. Apparently the state changed their procedures before 2008. After contacting the Department of Revenue, we have requested that they provide details concerning these payments. The auditor also contacted the Department of Revenue and they agreed to provide these details. We will meet with the auditor in the near future to discuss the details of this procedure.

The outstanding balance of money from the prior administration was addressed with our Solicitor. Since there are no details or collection attempt records for these matters, it was decided not to pursue these balances and will be noted as "uncollectable" accounts.

We certainly appreciate the audit of the financial records and the suggestions provided to assist us with continuing to carry out our accounting responsibilities in an excellent manner. We also want to thank the auditor for his assistance with various questions that may arise.

Very truly yours,



Andrea E. Naugle  
Clerk of Judicial Records