

***Westmoreland County
Controller***

AUDITING DEPARTMENT

Jeffrey Balzer

County Controller

Audit of

Former Westmoreland County Recorder of Deeds

Financial Statements – Modified Cash Basis
For the period January 1, 2019 to December 31, 2019

Prepared for

Westmoreland County
Board of Commissioners

Audit of

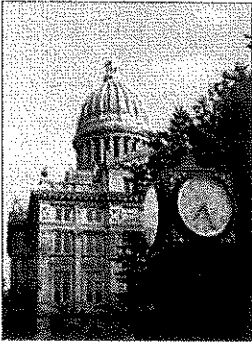
Former Westmoreland County Recorder of Deeds

Presented by

Jeffrey Balzer
County Controller

And

Westmoreland County Auditing Department



Westmoreland County Controller's Office

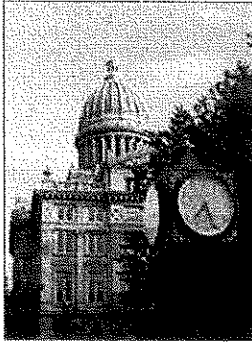
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Jeffrey Balzer, Controller

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Former Westmoreland County Recorder of Deeds
Audit Distribution List
For the period January 1, 2019 to December 31, 2019

1. Tom Murphy, Former Recorder of Deeds
2. Westmoreland County Commissioners
3. Eugene DePasquale, Pennsylvania Auditor General
4. Frank Schiefer, Recorder of Deeds



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Former Westmoreland County Recorder of Deeds
For the period January 1, 2019 to December 31, 2019
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May 6, 2020

Tom Murphy
Former Westmoreland County Recorder of Deeds
132 Esther Ave
New Kensington, PA 15068

Dear Mr. Murphy:

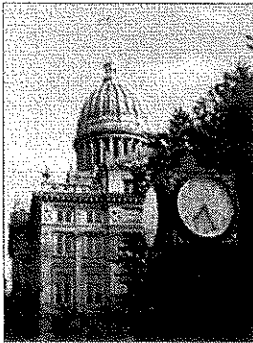
Transmitted herewith for your information is a copy of the audit of the Former Westmoreland County Recorder of Deeds, the purpose of which is to express an opinion on the fairness of the presentation of the financial statements for the period January 1, 2019 to December 31, 2019.

In line with the policy of this office under which all official audit reports are considered to be public information, a report will be released to the news media or general public upon request.

If there are any questions you may have or comments you desire to make concerning this report, please do not hesitate to contact this office.

Sincerely,

Jeffrey Balzer
County Controller



Westmoreland County Controller's Office

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Jeffrey Balzer, Controller

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Independent Auditor's Report

May 6, 2020

Tom Murphy
Former Westmoreland County Recorder of Deeds
132 Esther Ave
New Kensington, PA 15068

Dear Mr. Murphy:

We have audited the Statement of Assets, Liabilities and Undisbursed Receipts - Modified Cash Basis, of the Former Westmoreland County Recorder of Deeds as of December 31, 2019, and the related Statement of Cash Receipts, Disbursements and Balance-Modified Cash Basis for the year then ended, as listed in the Table of Contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Former Recorder of Deeds' preparation and fair presentation of the financial statements 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 Former Recorder of Deeds' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Assets, Liabilities, and Undisbursed Receipts-Modified Cash Basis, of the Former Recorder of Deeds, as of December 31, 2019 and its Cash Receipts, Disbursements, and Balance-Modified Cash Basis for the year then ended on the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. These financial statements are prepared on the modified 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2020 on our consideration of the Former Recorder of Deeds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 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.

Other Matters

As discussed in Note 1, the financial statements present only the Former Recorder of Deeds' agency fund activity for the year ended December 31, 2019, and is not intended to be a complete presentation of the Former Recorder of Deeds' financial position or results of operation on the modified cash basis of accounting.

Sincerely,


Jeffrey Balzer
County Controller

Former Westmoreland County Recorder of Deeds
Statement of Assets, Liabilities and Undisbursed Receipts- Recorder's Account
Modified Cash Basis
As of December 31, 2019

Assets:

Cash:	
Reconciled Cash	\$ 760,378.64
Petty Cash	850.00
Receivables:	
Due from Simplifile - April 2016 Shortage	172.00
Total Receivables	172.00
Total Assets	761,400.64

Liabilities & Undisbursed Receipts:

Working Fund	850.00
Due to County:	
Fees	428,760.00
Tech Fund	96,822.02
State Commission	28,710.00
Writ Commission	24,882.00
Affordable Housing	10,095.22
County Improvement	11,175.00
Recorder's Improvement	7,450.00
Demolition Fund	7,320.00
UPI Fees	67.81
Due to Prothonotary	41.00
Due to State:	
Judicial Computer System - HB2322	143,172.25
State Writs & Notary	2,192.69
Total Liabilities & Undisbursed Receipts	\$ 761,537.99
Variance	\$ (137.35)

Note: The accompanying notes are an integral part of the financial statements.

Former Westmoreland County Recorder of Deeds
Statement of Cash Receipts, Disbursements and Balance –Recorder’s Account
Modified Cash Basis
For the Period January 1, 2019 to December 31, 2019

Cash Balance at 12/31/18:		\$ 328,234.91
<u>Receipts:</u>		
Municipality Transfer Tax	11,174,504.16	
PA Realty Transfer Tax	11,269,909.34	
UPI	1,496,980.00	
Judicial Computer System - HB2322	1,541,200.00	
County Fees	939,198.01	
Commissions-3% of PA Tsf tax	342,654.03	
Demolition Fund	313,260.00	
Affordable Housing	271,414.00	
Recorder Improvement	121,602.00	
County Improvement	81,068.00	
Tech Fund Fees	79,338.00	
State Writs & Notary	24,750.04	
Prothonotary	541.00	
<i>Subtotal: Daily Accounting Report</i>		27,656,418.58
Deposit Errors, then reversed		5,324.00
Prior Year Corrections (2013-2017)		3,699.27
NSF Checks made good		5,179.75
Total Receipts		27,670,621.60

Former Westmoreland County Recorder of Deeds
Statement of Cash Receipts, Disbursements and Balance –Recorder’s Account
Modified Cash Basis (Continued)
For the Period January 1, 2019 to December 31, 2019

Disbursements:

Municipal Realty Tsf Tax	\$	11,402,555.26	
PA Realty Transfer Tax		11,269,909.36	
UPI		1,513,632.00	
Judicial Computer System - HB2322		1,142,180.00	
County Fees - General		907,590.47	
County Demolition Fees		307,800.00	
Affordable Housing		266,682.00	
Recorder's Improvement		119,562.00	
Commissions - 1% PA		114,244.20	
County Improvement		79,708.00	
County Tech Fees		77,990.00	
PA Dept Revenue Writs		24,433.33	
Commissions - 3% PA		755.67	
Prothonotary		542.00	
<i>Subtotal: Daily Accounting Reports</i>		27,227,584.29	
Deposit Reversals		5,324.00	
2018 NSF Checks and Chargebacks		5,179.75	
Escheated Checks		208.00	
Sub-total Misc.		10,711.75	
Total Disbursements			27,238,296.04
Cash Balance-12/31/19	\$		760,560.47

Note: The accompanying notes are an integral part of the financial statements

Former Westmoreland County Recorder of Deeds
Statement of Assets, Liabilities and Undisbursed Receipts- Municipal Account
Modified Cash Basis
As of December 31, 2019

Assets:

Cash:		
Local Account	\$	1,012,065.91
Total Assets		1,012,065.91

Liabilities & Undisbursed Receipts:

Due to County:		
Local Commission in Local Acct.		20,222.63
Due to Locals:		
Transfer Tax		990,909.10
Total Liabilities & Undisbursed Receipts		1,011,131.73
Variance	\$	934.18

Note: The accompanying notes are an integral part of the financial statements.

Former Westmoreland County Recorder of Deeds
Statement of Cash Receipts, Disbursements and Balance –Municipal Account
Modified Cash Basis
For the Period January 1, 2019 to December 31, 2019

Cash Balance 12/31/18		\$ 1,054,183.83
 <u>Receipts:</u>		
Transfers from Recorder's Acct.	11,402,555.26	
Borough Transmissions Returned	268.70	
Total Receipts		11,402,823.96
 <u>Disbursements:</u>		
Municipal Realty Transfer Tax	11,444,941.98	
Total Disbursements		11,444,941.98
Cash Balance at 12/31/19		\$ 1,012,065.81

Note: The accompanying notes are an integral part of the financial statements.

Former Westmoreland County Recorder of Deeds
Statement of Assets, Liabilities and Undisbursed Receipts- Escrow Account
Modified Cash Basis
As of December 31, 2019

Assets:

Cash:

Cash-FNB	\$ 53,846.85	
Due from Bank (Check Charges - 2015)	<u>45.16</u>	
Total Assets		53,892.01

Liabilities & Undisbursed Receipts:

Fund Balance per Escrow Charge Account Report	54,751.46	
Money incorrectly receipted to escrow account corrected January 2020	<u>(25.00)</u>	
		<u>54,726.46</u>
Variance		<u>\$ (834.45)</u>

Note: The accompanying notes are an integral part of the financial statements

Former Westmoreland County Recorder of Deeds
Statement of Cash Receipts, Disbursements and Balance –Escrow Account
Modified Cash Basis
For the Period January 1, 2019 to December 31, 2019

Cash Balance 12/31/18		\$ 54,755.19
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Receipts:

Escrow Receipts from Account Balance Report	863,873.38	
Deposit Error Corrections	<u>779.18</u>	
 Total Receipts		 864,652.56

Disbursements:

Escrow Disbursements from Account Balance Report	865,146.31	
Check error correction	25.00	
Transfers to Main - transfer error	<u>389.59</u>	
 Total Disbursements		 <u>865,560.90</u>

Cash Balance 12/31/19		\$ <u>53,846.85</u>
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Note: The accompanying notes are an integral part of the financial statements.

Former Westmoreland County Recorder of Deeds
Notes to the Financial Statements
For the period January 1, 2019 to December 31, 2019

Note 1: Nature of Entity and Summary of Significant Accounting Policies

Reporting Entity- the financial statements present only the agency fund account of the Former Recorder of Deeds office for the year ended December 31, 2019 on the modified cash basis of accounting, and is not intended to be a complete presentation of the office's financial position or results of operation on the modified cash basis of accounting.

Basis of Accounting - The books and records of the Former Westmoreland County Recorder of Deeds are maintained on the modified cash basis of accounting and, therefore, the financial statements presented herein do not purport to present the results of operations in conformity with accounting principles generally accepted in the United States of America.

Receipts, which include monies collected from transfer taxes, recording fees, etc., are recorded as cash is received.

Disbursements, which include payments to the County Treasurer, Pennsylvania Department of Revenue, local municipalities, court ordered disbursements, etc., are recorded when the actual payments are made.

Undisbursed receipts result from collections in the current and prior years that have not been paid out at the financial statement date, resulting in balances due to various taxing entities and individuals.

As previously stated, the modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, revenues are recognized in the period they are earned and expenditures are recognized in the period they are incurred which gives effect to accounts receivable, accounts payable and accrued items.

Note 2: Cash, Cash Equivalents and Investments, Deposits:

The deposits of the Former Recorder of Deeds checking account, at First National Bank, are either insured or collateralized per Act 72 of the Commonwealth of Pennsylvania. Deposits collateralized per Act 72 of the Commonwealth of Pennsylvania, dated August 6, 1971 (act 72) are secured by pooled collateral held by an agent of the County's banks in the bank's name as permitted per the Act.

At December 31, 2019, the Former Westmoreland County Recorder of Deeds main checking account at First National Bank, had a carrying value of \$760,378.64 and a bank balance of \$775,115.60. The Municipal checking account at First National Bank had a carrying value of \$1,012,065.91 and a bank balance of \$978,479.16, and the Escrow checking account had a carrying value of \$53,846.85 and a bank balance of \$53,681.60. At December 31, 2019, the Former Westmoreland County Recorder of Deeds petty cash balance totaled \$850.00.

Former Westmoreland County Former Recorder of Deeds
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

May 6, 2020

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 statements of the Former Westmoreland County Recorder of Deeds, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated May 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Former Westmoreland County Recorder of Deeds' internal control over financial reporting (internal control) to determine the 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 Former Westmoreland County Recorder of Deeds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Former Westmoreland County Recorder of Deeds' internal control.

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 statement(s) will not be prevented, or detected and corrected 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Former Westmoreland County Recorder of Deeds
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
(Continued)

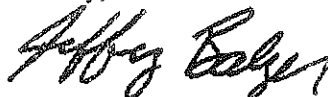
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Former Westmoreland County Recorder of Deeds' financial statements are free from 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*.

Purpose of this Report

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 Former Westmoreland County Recorder of Deeds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Former Westmoreland County Recorder of Deeds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Jeffrey Balzer
County Controller

Former Westmoreland County Recorder of Deeds
Compliance with Prior Year's Findings
For the period January 1, 2019 to December 31, 2019

At completion of the 2018 audit, we made two recommendations for improving the Westmoreland County Recorder of Deeds accounting procedures and internal controls. The following is the status of those recommendations.

	Recommendation Complied With		
	<u>YES</u>	<u>NO</u>	<u>IN PROCESS</u>
Item #1: NSF Checks	X		
Item #2: Outstanding Checks	X		