

COMPLIANCE AUDIT

Recorder of Deeds Lebanon County, Pennsylvania For the Period January 1, 2019 to December 31, 2023

August 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Pat Browne
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have conducted a compliance audit of the Recorder of Deeds, Lebanon County, Pennsylvania (Office), for the period January 1, 2019 to December 31, 2023, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d).

The objective of the audit was to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported, and promptly remitted and to provide a report to the Department of Revenue to allow the Department of Revenue to state and settle the Office's account. Our audit was limited to areas related to the objective identified above and was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

The Office is responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted. The Office is also responsible for complying with those laws and regulations. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

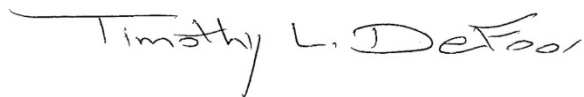
Based on our audit procedures, we conclude that, for the period January 1, 2019 to December 31, 2023, the Office, in all significant respects, complied with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted, except as noted in the findings listed below and discussed later in this report.

- Inadequate Internal Controls Over Receipts.
- Inadequate Internal Controls Over Manual Receipts.
- Inadequate Computer System Reports.

This report includes a summary of the Office's receipts and disbursements of funds collected on behalf of the Commonwealth (summary). We obtained data representing the Office's receipts and disbursements from the Pennsylvania Department of Revenue, which obtains data from each of the Commonwealth's recorder of deeds offices and used the data to create the summary in the format required by the Department of Revenue. We also evaluated the accuracy of the data as part of our audit to conclude on the Office's compliance with certain state laws and regulations as described in the previous paragraph. Any adjustments that we considered necessary based on our audit work are disclosed in the *Proposed Audit Adjustments* line of the summary; however, the scope of our audit does not include the issuance of an opinion on the accuracy of the amounts reported in the summary.

The purpose of this report is to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported, and promptly remitted. This report is not suitable for any other purposes.

The contents of this report were discussed with the Office's management. We appreciate the courtesy extended to us by the Office during the course of our audit. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending from the start of the name.

Timothy L. DeFoor
Auditor General
July 11, 2025

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RECORDER OF DEEDS
LEBANON COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

The Department of Auditor General is mandated by Article IV, Section 401(b) and (d) of *The Fiscal Code* (Act of April 9, 1929, P.L.343, No. 176), to audit the accounts of each county office to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted.

Recorder of Deeds receipts consist of moneys collected on behalf of the Commonwealth. These include moneys collected for the following taxes and fees:

- The Pennsylvania Realty Transfer Tax is a documentary stamp tax of 1 percent on the value of the interest in real property transferred by deed.
- Writ Taxes of \$.50 imposed on various types of documents and a \$10 tax on notary public commissions processed through the office.
- Judicial Computer System/Access to Justice Fees represent a \$40.25 fee imposed for each filing of deeds in any form, mortgages, mortgage assignments, mortgage releases, mortgage satisfaction pieces, installment sales agreements, leases for a term of 30 years or longer, and easements.

Total disbursements for the audit period are as follows:

Realty Transfer Taxes

Deposits into the Department of Revenue's cash management account	<u>\$ 40,326,739</u>
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The Recorder of Deeds participates in the Department of Revenue's cash management system for Realty Transfer Taxes. Under this system, the "Agent" deposits Realty Transfer Tax collections to a local account approved and established in the name of the Department of Revenue, thereby eliminating the need for the agent to issue a check to disburse these taxes. This balance reflects a summary of monthly transmittal reports provided by the Department of Revenue. The balance does not reflect the proposed audit adjustment disclosed by our audit.

Writ Taxes and Judicial Computer System/Access to Justice Fees

Recorder of Deeds checks issued to:

Department of Revenue	<u>\$ 3,231,873</u>
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This balance reflects a summary of monthly transmittal reports provided by the Department of Revenue.

RECORDER OF DEEDS
LEBANON COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Daniel Bost served as Recorder of Deeds during the period January 1, 2019 to January 5, 2020.

Dawn M. Blauch served as Recorder of Deeds during the period January 6, 2020 to December 31, 2023.

The summaries of receipts and disbursements provide a summary of receipts and disbursements by category. The categories and the amounts of taxes and fees assessed are based on Pennsylvania laws and regulations.

The summaries were prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Revenue. Under this method, only the Commonwealth portion of cash receipts and disbursements are presented, revenues are recognized when received, and expenditures are recognized when paid.

Proposed Audit Adjustment - Realty Transfer Taxes

The \$9 proposed audit adjustment represents a credit the Recorder of Deeds Office took in August 2019 for a \$9 balance due the county for the period January 1, 2015 to December 31, 2018.

RECORDER OF DEEDS
LEBANON COUNTY
REALTY TRANSFER TAXES
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Receipts:

Realty Transfer Taxes	\$ 40,734,089
Commissions	<u>(407,341)</u>
Net Receipts	40,326,748
Disbursements to Commonwealth	<u>(40,326,739)</u>
Balance due Commonwealth (County) per Department of Revenue data	9
Proposed audit adjustments	<u>(9)</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2019 to December 31, 2023	<u><u>\$ -</u></u>

RECORDER OF DEEDS
LEBANON COUNTY
WRIT TAXES AND JUDICIAL COMPUTER SYSTEM/ACCESS TO JUSTICE FEES
SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Receipts:

Writ Taxes	\$ 51,778
Judicial Computer System/Access To Justice Fees	<u>3,181,648</u>
Total Receipts	3,233,426
Commissions	<u>(1,553)</u>
Net Receipts	3,231,873
Disbursements to Commonwealth	<u>(3,231,873)</u>
Balance due Commonwealth (County) per Department of Revenue data	-
Proposed audit adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2019 to December 31, 2023	<u><u>\$ -</u></u>

RECORDER OF DEEDS
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Finding No. 1 - Inadequate Internal Controls Over Receipts

The Recorder of Deeds Office collect fees from individuals making a filing of a document, such as a mortgage and/or deed. At the end of each day, the Recorder of Deeds Office staff place the daily collection of money into a money bag, which is then securely locked shut. The locked money bag is taken to the Treasurer's Office and placed in the locked vault overnight. The next business day, the Recorder of Deeds Office staff retrieve the locked money bag from the Treasurer's vault to unlock the money bag, recount the money, and prepare a deposit slip. The money and deposit slip are placed back inside the money bag, the bag is securely locked and then delivered to the Sheriff's Office to be taken to the bank for deposit. After the deposit is made by the Sheriff's Office staff, the money bag with the validated deposit ticket inside is returned to the Recorder of Deeds Office.

During our testing of the office's receipts, the following were noted:

- Of 75 deposits tested, there were 37 instances in which the office copy of the bank deposit slip was not validated by the bank. The office, however, received a validated receipt from the bank that confirmed the total amount deposited but did not confirm the actual make-up of the deposit (i.e. cash and check mix).
- We were unable to determine the timeliness of the office's daily deposit drop-off at the Sheriff's Office because the Sheriff's daily deposit log did not list the date, time, or deposit amount of the drop off by the Recorder of Deeds Office staff.

During our audit, we also noted the Recorder of Deeds changed its processes with regards to collection of fees, receipts, and approvals. In August 2020, a walk-in customer submits a document, pays the associated fee, and leaves the Recorder of Deeds Office without a receipt. Upon the Recorder of Deeds staff scanning and electronically submitting the document to the County Assessment Office, a temporary, preliminary receipt is generated in the system until the County Assessment Office approves the transaction. Once approved the preliminary receipt is switched to a final, permanent receipt in the computer system. During our audit of the office's accounting records, we found the following deficiencies:

- The preliminary receipts were generated in the computer system upon receiving payment for a filing(s), however, the preliminary receipts were not printed, were not retained electronically or in hardcopy, and were not provided to the payor.
- The fees collected were not recorded as income, the customers' preliminary and permanent receipts were not printed, and the fees collected were not deposited unless the documents to be filed were approved by the County Assessment Office.

RECORDER OF DEEDS
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Finding No. 1- Inadequate Internal Controls Over Receipts (Continued)

- For filings not approved, the funds were returned to the remitter in person or by mail leaving no audit trail in the Recorder of Deeds Office of fees collected from and returned to the customer.

A good system of internal controls ensures that:

- The amount of each check and the total amount of cash deposited are identified on the deposit slip. The office copy of each deposit slip should be validated by the bank.
- A log should be maintained by the Sheriff's Office with information regarding the daily deposit received from the Recorder of Deed's Office to include the money bag number, the deposit amount, date/time of drop-off, the initials of the Recorder of Deeds office staff dropping off the money bag, date/time the money bag was received by the Sheriff's Office and the initials of the Sheriff's Office staff that received the locked money bag.
- All receipts, preliminary and permanent, should be provided to the payors, and retained for all moneys received regardless of whether the filing is approved or rejected.
- A record of all receipts should be maintained and accounted for properly.
- Documentation of all money returned to customers for rejected filings should be maintained for the audit trail.

Office staff stated that these conditions existed because:

- The bank changed their validation procedures in May 2021 and it no longer stamps the deposit slip. Rather, the bank only prints out a receipt confirming the total deposited. The bank no longer has the system required to stamp the deposit slip.
- The Recorder of Deeds office was unaware that the Sheriff Office log did not contain adequate information. The office staff stated they will update the log moving forward.
- By law the Recorder of Deeds must record documents in the order the office receives the documents. Therefore, when someone brings documents into the office to be recorded, staff adds the information to a chronological list to track the order in which the walk-in filing was received. If there are multiple electronic recordings prior to the walk-in, the office does not record the walk-in filing while the customer is still in the office due to the potential wait time for the prior electronic recordings that need to be filed first.
- The office was unaware that the process for rejected filings was inadequate.

RECORDER OF DEEDS
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Finding No. 1- Inadequate Internal Controls Over Receipts (Continued)

Without a good system of internal controls over funds received and receipts by the office, the possibility of funds being lost or misappropriated increases significantly.

Recommendation

We recommend that the office establish and implement an adequate system of internal controls over receipts to ensure the proper accountability of all fees received, regardless of whether the transaction is approved or rejected.

Management Response

The county office responded as follows:

Preliminary Receipting was implemented in August of 2020 just after COVID. This allows us to keep the records on a list to be recorded in [order] in which the document is received. We must record in order according to law and provide us with the opportunity to track monies collected as soon as it crosses the counter. Prior to preliminary receipts, submitters would need to go to the assessment office first for UPI [Uniform Parcel Identifier] certification, then the document would come to us to be recorded. Plans/maps would go to the planning department and then assessment before it would come to us for recording. The money for recording would travel with the document. Preliminary receipts not only allow us to track the money as soon as it crosses the counter, but the other office certifications are done electronically eliminating the travel of monies from office to office.

The [bank] was contacted about the bank slips not being validated with the cash amount, check amount and then the total. They have submitted a letter explaining that their system no longer allows them to do this, but they do offer carbon copy deposit slips which we do use.

In response to the Sheriff's log. Each money bag dropped [at] the Sheriff's Office for deposit is numbered and locked. The Sheriff's Office does not have a key to unlock the money bag. Keys are only in possession of the Records Office and the bank. To address the recommendation of logging the amount of the deposit we are now writing the bag number on the deposit slip. I do not feel we should announce to the Sheriff's Office the amount of money in the bag. We have added the time for drop off and pick up to the log, and the money bag number is written on the log. The money trail should be validated using the money bag number. To state for the record when the Sheriff's Office returns the money bag, the deposit (money) is no longer in the bag, the only thing in the bag is the deposit slip with the validated receipt that the monies were deposited to the [bank].

RECORDER OF DEEDS
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Finding No. 1- Inadequate Internal Controls Over Receipts (Continued)

Management Response (Continued)

The keeping of Preliminary invoices. We have discussed with the [Vendor] the keeping of preliminary invoices, and they will work on implementation. Until that happens, we will now be printing a preliminary receipt for ourselves to keep on record.

The auditor mentioned not having an audit trail for collected monies until the permanent invoice is created. We do now track all monies with the preliminary receipts from the time the document/monies cross the counter. We only started entering the monies on preliminary receipts in the year 2024. Again, we are now printing the preliminary receipts until the [Vendor] creates the permanent.

In the case of rejected filings. Prior to preliminary receipting in 2020, rejections were not tracked or had [an audit] trail. Once we started preliminary receipting, we also were able to track rejections. All rejections have a rejection sheet printed which also will show the monies being returned. Once a document is placed in preliminary receipt the assessment office will certify the UPI number. If the document is rejected for any reason a rejection sheet is printed to be returned with the document. The sheet does request for the rejection sheet to be returned with the document when resubmitted for recording. Rejected documents are placed on a list waiting to be resubmitted. Once the document is resubmitted if they return the rejection sheet, we pull the document from the list for recording. If the submitter does not return the rejection sheet with the document, we have no way of knowing if the document was once rejected. In this case the list of rejections does get purged every two years.

Auditor's Conclusion

We appreciate the office's efforts to correct these issues. While we acknowledge that documents are required to be recorded in the order they are received, it is imperative that an audit trail is maintained to document all money received throughout the process as recommended above. During our next audit we will determine if the office complied with our recommendation.

RECORDER OF DEEDS
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Finding No. 2 - Inadequate Internal Controls Over Manual Receipts

The Recorder of Deeds office staff uses unofficial, non-numbered manual receipts when the computer system is shut down or as a receipt for transactions processed after the daily cashier's session is closed out for the day (approximately 4:00 pm). These unofficial, non-numbered manual receipts are printed on an as needed basis.

During our testing of the manual receipts, the following was noted:

- The office used unofficial, non-numbered manual receipts.
- The office copy of unofficial, non-numbered manual receipts were destroyed after a computer receipt was generated.
- There was no manual receipts log maintained.
- There were 13 unofficial, non-numbered manual receipts that were printed and available for use by the office.

Additionally, the office maintains disaster relief manual receipts that are to be issued in the event of a disaster or a long-term shut down of the computer system.

During our review of the disaster relief manual receipts, the following were noted:

- There was no disaster relief manual receipts log maintained.
- There were no records indicating how many disaster relief manual receipts the office received. Therefore, we could not determine the population of disaster manual receipts.

Good internal accounting controls ensure that:

- Manual receipts are official and pre-numbered.
- Manual receipts are accounted for and copies are retained.
- A manual receipt log is maintained to document information that is recorded on the manual receipt, including date issued, date filed, instrument number, signature of the person receiving the payment, remitter name, payment source, and payment method. This will provide an audit trail on the issuance of the manual receipt and funds received.

RECORDER OF DEEDS
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Finding No. 2 - Inadequate Internal Controls Over Manual Receipts (Continued)

The office stated that they use unofficial, non-numbered receipts in order to collect moneys after they closed their daily session. Office staff also stated that the disaster relief manual receipts were not viewed or interpreted as manual receipts until the time of the audit.

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated increases significantly.

Recommendation

We recommend that the office establish and implement an adequate system of internal controls over manual receipts as noted above.

Management Response

The county office responded as follows:

We will no longer use the computer generated non-numbered receipts for after 4:00 p.m. transactions. We will now receipt the transaction like normal and lock the monies in a safe place. All monies receipted after the drawers are closed will be reflected on the next day's deposit. However, the suggested audit trail will be able to be followed using this method.

Log of unofficial non-numbered receipts was implemented for the non-numbered receipts in 2023; however, we will no longer be using those manual receipts. Our disaster manual receipts will now also be our manual receipts in case of long shutdowns or computer unavailability. The staff in our office [were] aware that we had disaster receipts. These receipts were not viewed as manual receipts, here on out they will have a dual role.

Auditor's Conclusion

We appreciate the office's effort to correct these issues. During our next audit we will determine if the office complied with our recommendation.

RECORDER OF DEEDS
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Finding No. 3 - Inadequate Computer System Reports

The Lebanon County Recorder of Deeds (County) uses software purchased from and supported by an outside service organization (Vendor) to account for transactions. The Vendor has remote access to the County's computer system and data based on permissions assigned by the Lebanon County IT Department. The County initiates and approves transactions and then transmits the information to the Vendor. The Vendor is responsible for processing all the transactions, producing the necessary reports, recording accounting entries, and preparing the financial statements. If an error occurs during the process, the transaction and the associated receipts are cancelled.

During our audit, the following discrepancies were noted:

- The Preliminary Invoice Report does not include the amount, payor, or corresponding filing approval or rejection to trace the funds to a bank deposit or returned to the payor.
- The Cancelled Invoice Report does not identify the payor, amount, filing type, and the instrument number. During the audit period, there were 808 cancelled invoices with no supporting documentation for the reason or resolution of the cancelled invoice.

An adequate system of internal controls ensures that:

- An audit trail includes reports that will track payments, deposits, and returned funds.
- If an invoice must be cancelled for an error, an audit trail should be maintained including proper documentation and authorization for the cancellation of the invoice.

Office staff stated this is an issue with the software provided to them by the Vendor.

Without an adequate system of internal controls over the computer system reports, the possibility of funds being unaccounted for, lost, stolen, or misappropriated increases significantly.

RECORDER OF DEEDS
LEBANON COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

Finding No. 3 - Inadequate Computer System Reports (Continued)

Recommendation

We recommend that the office establish and implement a good system of internal controls over the computer system reports to ensure that all collections, records and reports are maintained.

Management Response

The county office responded as follows:

All recommendations have been discussed with the [Vendor] and they will look at making adjustments. In response to “Without good system of internal controls over the computer system, the possibility of funds being lost, stolen, or misappropriated increases significantly”; none of the banking accounts are accessible through the software [Vendor] program. We also track their [Vendor’s] access. We do also track our credits and debits with quick books and verify both matches and to the bank statement.

Auditor’s Conclusion

We appreciate the office’s efforts to correct these issues. During our next audit we will determine if the office complied with our recommendation.

RECORDER OF DEEDS
LEBANON COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2023

This report was initially distributed to:

The Honorable Pat Browne
Secretary
Pennsylvania Department of Revenue

The Honorable Andrea Tuominen
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

The Honorable Dawn M. Blauch
Recorder of Deeds

The Honorable Robert M. Mettley
Controller

The Honorable Michael J. Kuhn
Chairperson of the Board of Commissioners

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.