COUNTY OF DELAWARE

Independent Auditor's Report for the period January 1 to December 31, 2024

Office of the Recorder of Deeds

Louis F. Rosenthal, Controller
COUNTY OF DELAWARE

County of Delaware
Office of the Recorder of Deeds

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Independent Auditor's Report

Jacqueline Kirby
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Report on the Financial *Statements*

Opinion

We have audited the accompanying cash basis financial statements of the Office of the Recorder of Deeds (*Recorder*) as of and for the year ended December 31, 2024, 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 *Recorder* as of December 31, 2024, 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 *Recorder* 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 *Recorder* 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 *Recorder* and do not purport to, and do not, present fairly the financial position or results of operations of the County of Delaware (County), for the year ended December 31, 2024, 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 *Recorder'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 *Recorder's* ability to meet its fiduciary obligations and continuing operations based on the authority granted by the Home Rule Charter and the annual appropriations provided by the County.

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 *Recorder'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; and
- conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the *Recorder'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*, the Internal Audit Department has also issued a separate report dated June 24, 2026, on our consideration of the *Recorder'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 *Recorder'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 *Recorder's* internal control over financial reporting and compliance.

Louis F. Rosenthal
Controller

June 24, 2026

Office of the Recorder of Deeds
County of Delaware, Pennsylvania
Statement of Assets and Liabilities - Cash Basis
For the period January 1 to December 31, 2024

Assets	
Cash and Cash Equivalents	$3,539,776
Total Assets	**$3,539,776**
Liabilities	
Undistributed Fiduciary Collections	$3,539,776
Total Liabilities	**$3,539,776**

The accompanying notes are an integral part of these financial statements.

Office of the Recorder of Deeds
County of Delaware, Pennsylvania
Statement of Receipts and Disbursements - Cash Basis
For the period January 1 to December 31, 2024

Receipts	
Affordable Housing Surcharge	$895,066
Recorder of Deeds Record Improvement Fund	$137,433
County Records Improvement Fund	$91,622
Demolition Fund	$384,855
County Commissions on Municipalities and School District Transfer Tax	$876,285
PA Transfer Tax (State)	$36,518,701
Municipal and School District Transfer Tax	$42,937,958
State Fees on PA	$1,688,381
Recorder of Deeds (Fees)	$2,407,611
Recorder of Deeds Realty Tax Transfer Commission	$380,208
Total Receipts	$86,318,121
Disbursements	
Affordable Housing Surcharge	$895,066
Recorder of Deeds Record Improvement Fund	$137,433
County Records Improvement Fund	$91,622
Demolition Fund	$384,855
County Commissions on Municipalities and School District Transfer Tax	$876,285
PA Transfer Tax (State)	$36,518,701
Municipal and School District Transfer Tax	$42,937,958
State Fees on PA	$1,688,422
Recorder of Deeds (Miscellaneous)	$8,560
Recorder of Deeds (Fees)	$2,407,611
Recorder of Deeds Realty Tax Transfer Commission	$380,208
Total Disbursements	$86,326,720
Excess of cash disbursements over cash receipts	($8,600)
Fund balance at December 31, 2023	$3,548,376
Fund balance at December 31, 2024	**$3,539,776**

The accompanying notes are an integral part of these financial statements.

Office of the Recorder of Deeds
County of Delaware, Pennsylvania
Notes to Financial Statements
For the period January 1 to December 31, 2024

Note 1 - Summary of Significant Accounting Principles

Background and Reporting Entity

Since its founding in 1789, the Delaware County (County) Recorder of Deeds (*Recorder)* has preserved the County's real property and public records. The office processes a wide range of instruments, including deeds, mortgages, leases, and Uniform Commercial Code filings, as well as non-property documents like notary commissions and military discharges. These records are maintained to ensure an accurate official chain of title and to provide historical data. Except for military discharges, all records are available for public inspection both online and at the office.

The *Recorder* serves as a fiduciary agent for the Commonwealth of Pennsylvania, the County, and local political subdivisions. Consequently, the *Recorder's* cash balance, excluding the County and *Recorder* Records Improvement, Affordable Housing, and Demolition Funds, represents undisbursed liabilities owed to these entities. Robert A. Auclair, Esq., has served as the Recorder of Deeds since September 2019 up to May 9, 2026.

The actual operating expenses of the *Recorder* are paid by the County through the County's General Fund. These costs include the salaries and wages of *Recorder* 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 and Disbursements.

Basis of Accounting

The books and records of the *Recorder* 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 *Recorder*. 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 - Cash and Undistributed Fiduciary Liabilities

The *Recorder* processes real estate conveyances, liens, and legal instruments using a centralized clearing account (GL Account 01-0000269001, Recorder Transactions) within the County's SAP enterprise resource planning platform. For treasury management purposes, the physical cash associated with these collections is commingled within the County's General Fund banking structure. However, the County does not maintain a distinct subsidiary ledger within the general ledger system to segregate and track the individual cash balances specifically attributable to the *Recorder's* fiduciary and operational processing.
As of December 31, 2024, the cumulative ending balance within this clearing account is \$3,539,776. This

balance represents historical, multi-year collections that were structurally commingled with the County's General Fund. Due to legacy system limitations and the historical absence of transaction-level subsidiary pooling, individual components of this balance belonging to a specific local political subdivision (Municipal and School District Transfer Taxes) cannot be distinctly segregated or aging-reconciled. Consequently, to ensure transparent disclosure and prevent the misstatement of specific jurisdictional liabilities, this cumulative balance is stated in the aggregate on the Balance Sheet as Undistributed Fiduciary Collections. This audited balance of $3,539,776 reconciles to the County's adjusted SAP general ledger balance. A variance of $218,100.40 was identified between the final audited cash records and the balances presented in the Annual Comprehensive Financial Report (ACFR). This reporting difference is attributable to a variance in audit scope, as the prior reporting was restricted to a single SAP account string (01-0000269001) and did not capture the transaction activity and historical balances residing in two related SAP accounts (0000269001 and 01-0535-0000269001). Internal Audit has since fully reconciled these underlying transactions and proposed the necessary adjustments to align the ledgers.

Note 3 - Fiduciary Receipts

The *Recorder* collects funds in a fiduciary capacity on behalf of the County, local municipalities, school districts, and the Commonwealth of Pennsylvania. For the fiscal year ending December 31, 2024, the *Recorder* processed $86,318,121 in total receipts, classified into the following reporting categories:

I. Fiduciary Liabilities (Due to Other Governments): $79,456,659

Custodial funds held in trust for external government entities until monthly remittance:

- PA Transfer Tax (State): $36,518,701 (1% Commonwealth Realty Transfer Tax).
- Municipal and School District Transfer Tax: $42,937,958 (local portion split between municipalities and school districts).

II. Restricted Revenue (Special Revenue Funds): $1,508,977

Statutorily earmarked surcharges restricted exclusively for legally mandated purposes:

- Affordable Housing Surcharge (PA Act 137): $895,066
- Demolition Fund (Act 152): $384,855
- Recorder of Deeds Record Improvement Fund: $137,433 ($3 per-document fee).
- County Records Improvement Fund: $91,622 ($2 per-document fee).

III. Operating Revenue (General Fund): $5,352,485

Operational earnings retained by the County to support its general operating budget:

- Recorder of Deeds (Fees): $2,407,611 (base administrative recording fees).
- State Fees on PA: $1,688,381 (retained administrative fees from specific state filings).
- County Commissions on Local Transfer Taxes: $876,285 (1% to 2% fee for local taxes).
- Recorder of Deeds Realty Tax Transfer Commission: $380,208 (statutory 1% commission on state transfer taxes).

Fiduciary Intake Channels and Processing Sources

Fiduciary receipts flow into departmental clearing accounts through manual deposits and automated electronic payment streams. As verified in the internal tracking ledger, automated third-party electronic recording (e-recording): Electronic fund transfers using five 3rd party vendors processed 85% to 90% of the $86,318,121 total inflow triangulation. This digital stream is heavily led by Simplifile ($79,417,427), followed by CSC ($2,996,183), EPN County 240131 ($554,667), EPN LLC ACH Item ($525,258), GovOS Bill.Com ($10,036), and Indecomm Hld Fil Corp ($1,665).

Conversely, traditional in-person or mailed transactions (cash and checks) generate $2,078,974 in manual bank deposits. The remaining transaction balance comprises specialized processing, adjustments, and online streams: Commonwealth of PA Refunds ($507,839), AllPaid credit card/online transactions ($174,764), wire transfers ($130,145), GovOS 6048 Consumer Payments ($864), and a Cstar Ledger Balancing Adjustment ($113).

Note 4 - Fiduciary Remittances (Disbursements)

The *Recorder* is required to hold all collected tax and fee revenues in trust until distribution. The County is permitted by statute to retain administrative collection commissions, such as the 1% state transfer tax retainage and a 1% to 2% commission on local municipal and school district collections. Due to legacy system limitations and the absence of a departmental subsidiary disbursement ledger, the Internal Audit Department (IAD) performed a detailed reconciliation comparing data across the CountyFusion system, SAP General Ledger, bank statements, and Treasurer's Reports to verify the $86,326,720 in total deductions.

Total remittances during the period were distributed as follows:

- Intergovernmental Remittances (Local): $42,937,958 to local municipalities and school districts.
- Intergovernmental Remittances (State): $36,518,701 to the PA Department of Revenue for state realty transfer taxes.
- Internal Remittances (County General Fund): $3,664,104 for recording fees and collection commissions:
  - *SAP Account 01-0000440400 (Fees on Papers Recorded):* $2,407,611
  - *County Commissions (Municipal and School Tax):* $876,285
  - *SAP Account 01-0000440410 (ROD 1% State Tax Commission):* $380,208
  - *Recorder of Deeds (Miscellaneous):* $8,560
- Statutory Remittances (Restricted Funds): $1,508,977 in mandated surcharges directed into restricted county special revenue accounts:
  - *SAP Account 01-0000240720 (Affordable Housing / Home Program Surcharge):* $895,066
  - *SAP Account 01-0000257515 (Demolition Fund):* $384,855
  - *SAP Account 01-0000257500 (ROD Record Improvement Fund):* $137,433
  - *SAP Account 01-0000257510 (County Improvement Fund):* $91,622
- Statutory State Fee Remittances: $1,688,422 for mandated state fees on Pennsylvania filings.

To verify the $86,326,720 in total disbursements, the IAD executed a data mapping and matching procedure between CountyFusion GovOS transaction reports, SAP ledger accounts, and bank statements. The audit cross-referenced these payments against the following primary documentation:

1. Treasurer's Reports (TR): Verified initial postings and credits to SAP Account 01-0000269001 (Recorder Transactions) for digital and online revenue. These were validated against the individual pro-forma vendor clearing streams (including Simplifile, CSC, Epn, and AllPaid).

2. Universal Document Forms (Journal Entries): Inspected month-end closing entries reflecting the Receipts Offset mechanism, where SAP Account 01-0000269001 is debited to disburse historical collections to final revenue and fiduciary accounts, verifying credits to SAP Accounts 01-0000440400, 01-0000440410, 01-0000240720, 01-0000257500, 01-0000257510, and 01-0000257515.
3. E-Recording Records: Evaluated transaction logs from the five active electronic recording vendors (Simplifile, CSC, EPN, Indecomm, and AllPaid), which account for 85% to 90% of overall recording volume.
4. Tax Rate Compliance: Confirmed automated system triggers properly applied correct localized tax percentages to specialized jurisdictions, including Radnor (1.5%) and Upper Providence (2.0%).

The comprehensive reconciliation successfully accounted for all funds and verified the accurate clearance of distributions to external agencies and the County General Fund. While the underlying transactions are fully reconciled, the extensive manual effort required to bridge unmapped activity in secondary tracking accounts (specifically accounts 0000269001 and 01-0535-0000269001) with the general ledger highlights opportunities for structural workflow enhancements. Findings regarding internal control design and related governance recommendations are discussed within a separate section of this report.

Note 5 - Realty Transfer Tax

The *Recorder* collected realty transfer tax in the amount of $83,035,303.61 and processed 11,502 transactions during the period ending December 31, 2024. The *Recorder* deposits all realty transfer tax payments into the Commonwealth's account at the beginning of the following month. The *Recorder* received commissions for realty transfer tax collections in 2024 in the total amount of $1,256,493 ($380,208 from State and $876,285 from Municipalities and School District).

Note 6 - 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 *Recorder's* policy for minimizing credit risk for bank balances exceeding FDIC's insured limits relies upon PA Act 72. For deposits, custodial credit risk is the risk that in the event of bank failure, the *Recorder's* deposits may not be recovered. As of December 31, 2024, the *Recorder's* average daily balance of $6.645 million exceeded the individual account limits covered by the FDIC of $250,000. The *Recorder's* cash balance on December 31, 2024, was $3,539,776.

Note 7 - Definition of Terms:

Restricted Revenue and Special Purpose Surcharges

- Affordable Housing Surcharge: A statutorily mandated fee collected on recorded deeds and mortgages under PA Act 137. These funds are legally restricted and placed into a special revenue account dedicated exclusively to supporting county-wide affordable housing initiatives.

- Recorder of Deeds Record Improvement Fund: A dedicated, state-mandated fee ($3 per document) collected to fund internal technological and operational upgrades. These funds are restricted solely for modernizing equipment, software workflows, and public access systems within the *Recorder's* office.
- County Records Improvement Fund: A mandated fee ($2 per document) restricted for broader, county-wide record-keeping initiatives. This fund supports archival projects, system upgrades, and long-term document preservation across various County departments.
- Demolition Fund: A specialized fee collected under Pennsylvania Act 152 on recorded documents. These revenues are legally restricted to a dedicated fund used exclusively by the County for the demolition, blight remediation, and safety stabilization of abandoned properties.

Fiduciary Taxes and Intergovernmental Liabilities

- PA Transfer Tax (State): The state's portion of the Realty Transfer Tax (statutorily set at 1%) levied on the value of real estate conveyances. The *Recorder* acts strictly as a fiduciary collection agent, holding these funds in trust until they are remitted to the Pennsylvania's Department of Revenue.
- Municipal and School District Transfer Tax: The local portion of the Realty Transfer Tax collected upon property sales. These funds represent a fiduciary liability and are held in trust by the *Recorder* before being split and distributed to the respective local borough, township, and school district where the property resides.

Fees and Commissions

- County Commissions on Municipalities and School District Transfer Tax: An administrative collection fee (ranging from 1% to 2%) that the County is statutorily permitted to retain from local tax collections. This commission is transferred out of the clearing account and into the County General Fund as operating revenue to offset the cost of processing local taxes.
- State Fees on PA: Mandated administrative fees collected on specific state-level filings (such as notary bonds or commissions). The County is legally permitted to retain a portion or all of these specific filing fees as General Fund operating revenue.
- Recorder of Deeds (Fees): The base administrative recording fees charged to the public for processing and filing documents (deeds, mortgages, satisfactions, etc.). These fees represent the primary operating revenue earned directly by the office to support the County's general operating budget.
- Recorder of Deeds Realty Tax Transfer Commission: The statutory 1% administrative retainage fee that the County is permitted to subtract from the gross State Transfer Tax collected. This commission is kept by the County as General Fund revenue to compensate for the operational cost of acting as the state's collection agent.

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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

June 24, 2026

Jacqueline Kirby
Chief Deputy, Recorder of Deeds
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, 2024, 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 Recorder of Deeds (*Recorder*) and have issued our report thereon dated June 24, 2026.

Report on Internal Control Over Financial Reporting

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

Material Weakness: Financial Reporting and Fiduciary Accountability Deficiencies

The *Recorder* lacks a centralized financial repository and a unified subsidiary disbursement ledger, leaving financial data fragmented across disconnected platforms. CountyFusion, software application used by the *Recorder*, functions strictly as a front-end revenue collection system; it cannot process disbursements, track outward remittances, or reconcile cash balances. Without a localized subsidiary ledger to track outgoing cash, daily transactions are entirely disconnected from final bank positions. While management can monitor aggregate cash exiting the bank, it cannot independently verify or audit the individual underlying transactions from within departmental software.

This structural weakness required the Internal Audit Department (IAD) to manually reconcile data across five separate systems to verify $86,326,720 in total deductions. Although this manual reconstruction confirmed the funds cleared, internal controls remain inadequate to substantiate specific undistributed fiduciary liabilities at the individual beneficiary level. This operational gap fails to satisfy statutory trustee mandates under GASB 84 and the Pennsylvania Trust Act, which require clear recordkeeping, beneficiary reporting, and prudent financial administration. Furthermore, the lack of systemic integration between CountyFusion GovOS and the Delaware County's (County) SAP General Ledger necessitates data triangulation to bridge unmapped activity in secondary tracking accounts.

Internal Control Deficiencies: Fund Commingling and Systemic Control Gaps

To evaluate operational risks, the IAD tested 121 transactions across six categories totaling $80,157,642.54. This fieldwork uncovered vulnerabilities in user accountability, data completeness, segregation of duties, and document retention. The sampled volume comprised 12 warrant requests ($36,518,700.86), 12 journal entry forms ($4,296,794.61), 24 treasurer reports ($32,790,311.03), 24 check requests ($6,199,835.80), 25 deed receipts ($228,412.69), and 24 deposit slips ($123,587.55) across two bank accounts. Testing identified the following systemic weaknesses impacting fiduciary compliance and accountability:

- Systemic Commingling and Operational Liquidity Overlap: While physical checks are segregated, electronic recording revenues (85%–90% of volume) are heavily commingled. Restricted Commonwealth realty transfer taxes are pooled directly into the County's General Fund Main account, creating an extended 30-day remittance cycle that uses fiduciary float for operating liquidity. For example, on December 31, 2024, the County wired $600,638.94 from this account to the Retirement Fund. Due to commingling, management cannot prove the General Fund held sufficient independent liquidity to cover the transfer without an unauthorized drawdown of restricted assets. A formal legal opinion has been requested from the Solicitor regarding PA County Code and GASB 84 compliance.
- Absence of Retained Source Documentation: The *Recorder* forwards all original financial records to the Controller's Office without maintaining local digital backups. This total reliance on centralized storage breaks the local audit trail, violates COSO frameworks, and prevents the department from verifying that SAP postings match original transactions. Notably, Check Request #1901413366 (posted February 1, 2024, for $429,979.75) was entirely missing from physical files, breaking the transaction's audit trail.
- Deficient Reconciliation and Oversight Protocols: Outbound transfers to the Commonwealth occur without verification, creating an unverified transmission risk. This occurs because the *Recorder* logs granular data in GovOS/CountyFusion, the Treasurer reports lump sums via QuickBooks, and the Controller' Office posts these aggregates into SAP yet the *Recorder* lacks access to the Treasurer's Office held bank statements to perform reconciliations. For example, a single $5,480.75 Simplifile transaction could not be isolated within bundled daily deposits (one totaling $392,101.18). A rolling 1-to-4-day settlement delay and a lack of unique vendor tracking identifiers make transaction matching impossible without exhaustive manual effort.
- Inadequate Segregation of Duties, Governance, and Custodial Gaps: The Financial Coordinator performs heavily conflicting roles by verifying cashier totals, preparing deposit slips, transporting cash,

and executing month-end balancing, creating an acute risk of undetected lapping or misappropriation. This exposure is compounded by a total absence of a County policy governing the *Recorder's* custodial funds and weak dual-verification documentation. While daily deposit packets are compiled and stored locally, the final bank deposit slips bear no validating signatures, breaking the local audit trail and failing to prove independent custody transfer. Furthermore, physical safe access lacks a formal access list or combination log, and cash or checks stored in the vault overnight or across holidays are not logged in SAP under an interim safekeeping account before depositing to the bank and before final turnover to the Treasurer's Office.

Recommendations:

The *Recorder's* management should prioritize the following consolidated corrective actions:

1. Transition to Segregated, Automated Financial Systems: Implement a centralized financial repository integrating GovOS with SAP to automate ledger postings. Establish a real-time subsidiary disbursement ledger to track outward remittances and individual beneficiary liabilities, satisfying GASB 84 and the Pennsylvania Trust Act.
2. Physically Segregate Fiduciary Bank Accounts: Cease pooling electronic recording revenues into the General Fund Main account (Account -1959). Move clearing collections into a standalone fiduciary account to protect restricted Commonwealth assets, eliminate reliance on fiduciary float, and expedite the 30-day state remittance cycle.
3. Establish Local Audit Trails: Mandate a formal document retention policy to digitally scan and archive all check requests, Journal Entry Forms, distribution reports, and receipts within GovOS/CountyFusion before routing original packets to the Controller's Office. Maintain an electronic, digitally signed log of monthly journal entries to enable independent validation against SAP.
4. Enforce Segregation of Duties and Custodial Governance: Formally adopt an approved County governance policy for custodial funds, eliminate conflicting cash-handling and reconciliation duties concentrated in the Financial Coordinator position, mandate dual signatures on all final bank deposit slips, restrict vault access through combination-change logs, and configure SAP to track overnight collections under an interim safekeeping account.
5. Strengthen Electronic Transfers and Cross-System Reconciliations: Grant the *Recorder* read-only bank access to perform transaction-level matching of outbound electronic transfers (e.g., Simplifile) against GovOS logs. Assign macro bank reconciliations to the Treasurer's Office and final ledger verifications to the Controller's Office. Require vendors to provide standardized tracking numbers, and coordinate with IT to link GovOS/CountyFusion, QuickBooks, and SAP for automated reconciliations.

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 County of Delaware Council, the Auditor General of Pennsylvania, and all other political affiliates served by the *Recorder*. This report is, however, a matter of public record, and its distribution is not limited.

Louis F. Rosenthal
Controller