

**Summit County Recorder and Conveyance Divisions
Preliminary Report**

09-Recorder Conveyance.Fiscal-60

**PREPARED FOR:
John A. Donofrio
Audit Committee**

**APPROVED BY AUDIT COMMITTEE
June 15, 2009**

**Summit County
Internal Audit Department
175 South Main Street
Akron, Ohio 44308**

*Bernard F. Zaucha, Director
Lisa L. Skapura, Assistant Director
Mira Pozna, Deputy Director
Anthony Boston, Staff Auditor
Meredith Merry, Staff Auditor
Ben Franjesevic, Staff Auditor*

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report
Table of Contents**

I.	General Background.....	3
II.	Objectives.....	4
III.	Scope.....	4
IV.	Detailed Comments.....	5-14

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report
Background**

General Background:

In 1803, Ohio was granted statehood and the Ohio Legislature established the Recorder as a mandated office. In 1840 Summit County started preserving their own records. In 1991, a charter amendment was passed in Summit County to merge the Recorder's Office with the county Auditor's office beginning in 1997. In 2001, the voters passed a charter amendment to merge the county Auditor's office with the county Treasurer's office into a new office.

The Records Division is responsible for the safekeeping of vital records pertaining to ownership in real estate and to all encumbrances or liens upon it. Documents are indexed so they may be readily located and include deeds, mortgages, easements, plats, financial statements, releases and assignments, land contracts and condominiums. These invaluable records are utilized by the general public, attorneys, historians, genealogists and land title examiners. Military Discharges are not viewable online.

Our Tax Maps Department maintains current and accurate maps of land parcels by size, ownership and location. Surveyors, title companies and the public use these maps as a reference resource.

Source: <http://www.co.summit.oh.us/fiscaloffice/index.htm>

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report**

AUDIT OBJECTIVES AND METHODOLOGY:

The primary focus of this review was to provide the Summit County Recorder and Conveyance Divisions with reasonable assurance, based on the testing performed, on the adequacy of the system of management control in effect for the audit areas tested for the year ended December 31, 2008 through present, unless otherwise specified in the individual test area. Management controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. Management is responsible for establishing and maintaining effective controls that, in general, include the plan of organization, as well as methods, and procedures to ensure that goals are met. Specific audit objectives include evaluating the policies, procedures, and internal controls related to the Recorder and Conveyance Divisions.

Our review was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and accordingly included such tests of records and other auditing procedures as we considered necessary under the circumstances. Our procedures include interviewing staff, reviewing procedures and other information and testing internal controls as needed to assess compliance with policies and procedures.

Based on the results of our review, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management's unaltered written response, can be found in the following sections of this report.

Specific Objectives:

1. To obtain and review the current policies and procedures.
2. To review the internal control structure through employee interviews and observation.
3. To perform a general overview of the physical environment and security of the facilities, data, records and departmental personnel.

Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by each department.

The following were the major audit steps performed:

OBJECTIVE 1 – POLICY AND PROCEDURES REVIEW

1. Obtain and review the current policies and procedures.
2. Meet with the appropriate personnel to obtain an understanding of the current department processes and procedures. Compare those existing processes to the policies and procedures manual for consistency, noting all exceptions.
3. Test procedures for mandatory compliance where applicable.
4. Identify audit issues and make recommendations where appropriate.

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report**

OBJECTIVE 2 – REVIEW OF INTERNAL CONTROLS

5. Meet with the appropriate personnel to obtain an understanding of the control environment.
6. Document the existing control procedures in narratives and/or flowcharts.
7. Compare existing processes to the policies and procedures manual for consistency.
8. Test procedures for compliance where applicable, noting all exceptions.
9. Investigate discrepancies and summarize results.
10. Make recommendations where appropriate.

OBJECTIVE 3 – REVIEW OF CASH CONTROLS

11. Determine the adequacy and effectiveness of the internal control structure over the cash collections and receipting process.
12. Obtain and review documentation for the cash receipts process, to test the transaction activity for accuracy and completeness.

OBJECTIVE 4 – REVIEW OF SECURITY

13. Perform a general overview of the physical environment and security of the department/ agency being audited.
14. Interview various personnel to determine that confidential information is secure and processed only by appropriate parties.
15. Obtain and review the document retention policy and determine if policies and procedures are currently in place and being followed.
16. Test security issues where appropriate.
17. Analyze current policies and make recommendations.

Interviews:

To gain an understanding of the Recorder and Conveyance Divisions, IAD interviewed the following positions throughout the organization:

- a. Deputy Fiscal Officer
- b. Director of Administration
- c. Office Manager
- d. Clerical Specialist II
- e. Clerical Specialist I
- f. Clerk IV
- g. Clerk III

No issues were noted.

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report
Detailed Comments**

I. Policies & Procedures Review:

IAD obtained and reviewed the following policies and procedures:

- Conveyance Division Policy and Procedures Manual
- Recording Division Policy and Procedures Manual
- Fiscal Office Personnel Policy and Procedures Manual

The following issues were noted:

1. Issue:

Upon review of the Fiscal Office – Recording and Conveyance Divisions’ policies and procedures, IAD noted the following:

- Both the Recording Division and Conveyance Division Policy and Procedures manual lacked management approval.
- Some individual policies/procedures in the Conveyance Division manual had effective dates; however, several policies/procedures (e.g. cross training) did not and therefore IAD was unable to determine when the policy/procedure took effect.

Recommendation:

IAD recommends that management review and approve policies and procedures and that an effective date is included. This will help to ensure that employees are following the most recently approved policies and procedures.

Management Action Plan:

Recording Division manual and Conveyance Division manuals will be revised to include management approval and effective dates, where needed, by July 1, 2009.

2. Issue:

Upon review of the Fiscal Office – Recording and Conveyance Divisions’ policies and procedures manuals, IAD noted several instances in both manuals where an employee was referenced by name instead of by title.

Recommendation

IAD recommends that the Recording and Conveyance Divisions review their policies and procedures manual and change employee names to titles. This will help to ensure that processes are performed consistently and appropriately as well as prevent confusion when an employee separates from County employment, or is no longer performing specified tasks.

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report
Detailed Comments**

Management Action Plan:

Recording Division manual and Conveyance Division manual will be revised to change employee names to titles by July 1, 2009

3. Issue:

Upon review of the Fiscal Office – Conveyance Division’s Policies and Procedures manual, IAD noted that the second reconciliation procedure performed by the Office Manager is not included in the written cash procedures.

Recommendation:

IAD recommends that the Conveyance Division review their written cash procedures for completeness. This will help to ensure that processes are performed consistently and appropriately.

Management Action Plan:

As of 5/1/09, the written cash policies and procedures for the Conveyance Department have been updated to include the second reconciliation process performed by the Office Manager or the Deputy Fiscal Officer.

4. Issue:

Upon discussion with the Recording Division Director of Administration, IAD noted that the Recording Division utilizes written instructions (titled Daily Receipt Balancing and Escrow Account) for the reconciliation of cash collected, however, they are not included in the policies and procedures manual.

Recommendation:

IAD recommends that the Recording Division incorporate these written instructions into the policies and procedures manual. This will help to ensure that processes are performed consistently and appropriately.

Management Action Plan:

The written instructions for Daily Receipt Balancing and Escrow Account will be incorporated into the Recording Division policies and procedures manual on July 1, 2009. This revision is ongoing, further revisions for delayed payment collections will follow. These are infrequent in nature, revisions will take place when this payment type occurs.

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report
Detailed Comments**

II. Internal Control Testing:

Internal control testing and/or observations were performed in the following areas:

- Expenditures
- Personnel files
- Fees

EXPENDITURES:

IAD obtained and reviewed ORC § 5705.41(D) (2), to gain an understanding of the requirements for the appropriation of money (<http://codes.ohio.gov/orc/5705.41>). Additionally, IAD obtained and reviewed Summit County Codified Ordinance § 177.23 “Purchases not Exceeding \$1,000,” to gain an understanding of any instances where a purchase order would not need to be obtained. IAD conducted interviews with the Deputy Fiscal Officer and the Purchasing Agent, utilizing a standard expenditure questionnaire, to gain an understanding of the expenditure process for the Recording Division.

A Banner Access report was obtained from the County MIS Department Computer Systems Software Analyst 3 listing all users with access to the financial side of Banner. Additionally provided to IAD was the Fiscal Office Recording Division Fund and Organization security report, showing all Banner users that have inquiry and/or update privileges to Recording Division orgs in the Banner Finance module, and a Master Organization Security report, listing all Banner users with access to view and/or update of all county organization accounts in Banner. IAD verified that the listed employees were active county employees, and that the access levels appeared reasonable.

IAD generated a WebFocus report of all 2008 and 2009 (as of 3/16/09) Recording Division expenditures and judgmentally selected a sample of thirty-one expenditures for testing.

IAD noted that Conveyance expenditures are processed through the Real Estate Assessment fund/org, which also includes expenditures for other Fiscal Office departments and divisions, therefore it was not possible to determine, through Banner reporting, which expenditures were applicable to the Conveyance Division. IAD met with the Conveyance Office Manager to discuss commonly used vendors. All requisition forms for those vendors were reviewed. A sample was randomly selected for testing.

No issues were noted during the testing.

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report
Detailed Comments**

PERSONNEL FILES:

IAD interviewed the Fiscal Office Personnel Administrator 1, utilizing a standard Personnel File questionnaire, to gain an understanding of procedures followed regarding personnel files. During the interview, IAD was informed that the only forms relating to personnel files that the Recording and Conveyance Divisions are responsible for are the departmental policy and procedure sign offs. IAD randomly selected a sample of ten Recording and Conveyance Division employees to test for the presence of appropriate documentation.

The following issue was noted:

5. Issue:

Upon review of Recording and Conveyance Division personnel files, IAD noted two out of ten employees selected for testing who did not possess a department policy and procedure manual sign off.

Recommendation:

IAD recommends that the Recording and Conveyance Division require that employees sign off that they have received and read the most recent department policies and procedures manual. Furthermore, IAD recommends that these sign off's be maintained in the employees' personnel files. This will help to ensure that all employees are aware of department policy and procedures.

Management Action Plan:

Upon notification by IAD of missing sign-off's in two out of ten employee files selected for review, all Recording Division employees re-executed a sign off sheet acknowledging receipt of the policy and procedure manual in March of 2009.

FEES:

IAD obtained and reviewed the following documentation to gain an understanding of the laws regulating conveyance fees and taxes:

- O.R.C. § 319.54 "Fees to compensate for auditor's services."
- O.R.C. § 322.02 "Real property transfer tax."

IAD obtained and reviewed a screen print of IAS4's fee structure from the County MIS Department Computer System Software Analyst II, to gain an understanding of the fee structure and calculations currently in place in the Conveyance Division. The IAS4 fee structure was tested against the O.R.C. mandated conveyance fee structure to determine whether the system in use is calculating fees according to regulations.

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report
Detailed Comments**

IAD obtained and reviewed the State of Ohio County Recorder Table of Fees from the Recording Division Director of Administration to gain an understanding of the types of documents recorded and their respective fees. In addition, the following documentation was obtained and reviewed:

- O.R.C. § 317.32 “Recording Fees.”
- O.R.C. § 317.09 “Recording and filing notices of federal tax liens – certificate of discharge or release – fee.”
- O.R.C. § 317.24 “Record of discharge.”
- O.R.C. § 1309.525 “Fees – UCC 9-525.”
- O.R.C. § 5111.022 “Lien for amount owed by provider.”
- O.R.C. § 5719.07 “Certificate of release of lien – partial discharge.”
- O.R.C. § 4141.23 “Employer Contributions – payments in lieu of contributions.”
- O.R.C. § 3123.67 “Arrearage becomes lien against personal and real property.”
- O.R.C. § 317.322 “Recording fee not charged for military power of attorney.”
- Memo regarding unassisted photocopies.

IAD obtained and reviewed the CRIS+plus fee table from the county MIS Department Database Administrator, to gain an understanding of the fee structure and calculations currently in place in the Recording Division. A report of document codes with the respective fee type was generated utilizing the CRIS+plus system. IAD tested the CRIS+plus fee structure against the O.R.C. mandated recording fee structure to determine whether the system in use is calculating fees according to regulations.

6. Issue:

Upon review of the CRIS+plus fee table, IAD noted that there is no document/fee type for zoning resolutions and zoning amendments in the system, and that Clerical Specialists must override and manually enter fees for the recording of these types of documents.

Recommendation:

IAD recommends that the Recording Division contact the software vendor and have document/fee codes added to the CRIS+plus system for zoning resolutions and zoning amendments. This will help to ensure that zoning fees charged are correct and consistent with O.R.C. § 317.32 (G) and (H).

Management Action Plan:

Eagle Software has been contacted, and new codes will be added to the CRIS+plus system for zoning amendments on July 1, 2009. Per discussion with IAD, “miscellaneous” codes applied to past zoning resolutions will not be converted to a new code. No new zoning resolutions are anticipated by the Recording Division as none have been filed since the early 90’s.

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report
Detailed Comments**

7. Issue:

Upon review of the CRIS+plus fee table, IAD noted that the Recording Division was charging \$43.20 per page for the recording of maps, plats and prints rather than charging the O.R.C. mandated fee amount. The Director of Administration indicated that this amount was derived from a previous Prosecutor's opinion, and has changed over the years in proportion to changes in the O.R.C. Per O.R.C. § 317 (K), "In any county in which the recorder employs the photostatic or any similar process for recording maps, plats, or prints the recorder shall determine, charge, and collect for the recording or rerecording of any map, plat, or print, a base fee of five cents and a housing trust fund fee of five cents per square inch, for each square inch of the map, plat, or print filed for that recording or rerecording, with a minimum base fee of twenty dollars and a minimum housing trust fund fee of twenty dollars".

Recommendation:

IAD recommends that the Recording Division begin to charge fees for the recording of plats based on the square inches of the document being recorded. This will help to ensure these fees are being charged in accordance with the O.R.C.

Management Action Plan:

A memorandum was sent to title companies, land developers, surveyors and examiners on 4/27/09 setting out the new fees for recording and copying plats based upon size of the document as recommended by IAD. The new fee structure will go into effect on July 1, 2009. The memo is attached for reference.

8. Issue:

Upon review of the CRIS+plus fee table, IAD noted that the Recording Division was charging \$17.30 per page for a copy of a plat with an additional \$1.00 charge for a certified copy rather than the O.R.C. mandated fee amount. The Director of Administration indicated that this amount was derived from a Prosecutor's opinion in 1983, and has changed over the years in proportion to changes in the O.R.C. Per O.R.C. § 317 (K), "In any county in which the recorder employs the photostatic or any similar process for recording maps, plats, or prints, the recorder shall determine, charge, and collect for the recording or rerecording of any map, plat, or print, a base fee of five cents and a housing trust fund fee of five cents per square inch, for each square inch of the map, plat, or print filed for that recording or rerecording, with a minimum base fee of twenty dollars and a minimum housing trust fund fee of twenty dollars; for certifying a copy from the record, a base fee of two cents and a housing trust fund fee of two cents per square inch of the record, with a minimum base fee of two dollars and a minimum housing trust fund fee of two dollars."

Recommendation:

IAD recommends that the Recording Division begin to charge fees for copies of plats based on the square inches of the document being recorded. This will help to ensure that fees for copies are charged in accordance with the O.R.C.

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report
Detailed Comments**

Management Action Plan:

See #7.

9. Issue:

Through testing of cash collection processes and upon review of the CRIS+plus fee table and fees currently being collected, IAD noted that the Recording Division is not charging for the recording of child support liens or releases.

Auditors' Note:

IAD contacted various personnel of the Fiscal Office and CSEA to determine why these fees were not being collected. Per the Deputy Fiscal Officer of Finance and the Service Contract Coordinator for CSEA, in prior years Summit County was reimbursed for these fees through a Title IV-d contract, but currently there is no contract in place. Various meetings have been conducted to determine the best course of action to recover this lost revenue/cost reimbursement.

Recommendation:

IAD recommends that the Recording Division continue to pursue avenues for reimbursement or collection of child support lien or release filing fees.

Management Action Plan:

Fiscal Office administration together with the Recording Division and CSEA continue to pursue avenues for reimbursement or collection of child support liens and lien releases.

III. Review of Cash Controls:

CASH – Conveyance Division:

IAD obtained and reviewed the following Sections of the O.R.C. to gain an understanding of the Conveyance fees charged:

- O.R.C. § 319.54 (G) 2 and (G) 3 “Fees to compensate for auditor's services.”
- O.R.C. § 322.02 (A) “Real Property Transfer Tax.”

An interview was conducted with the Conveyance Division Clerical Specialist I, utilizing a standard internal control questionnaire, to gain a further understanding of the cash collection process. IAD traced the flow of fees collected from a Real Property Conveyance Fee Statement of Value and Receipt through to the deposit into the Summit County Treasurer’s Office. Additional documentation and clarification was obtained regarding voided transactions, delayed payments and the reconciliation process.

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report
Detailed Comments**

IAD judgmentally selected five transaction dates from 1/1/08 to the present and performed reconciliation testing. A sample of fifteen transactions between 1/1/08 to the present was judgmentally selected for testing.

No issues were noted during testing.

CASH – Recording Division:

IAD obtained and reviewed the O.R.C. § 317.32 Recording Fees to gain an understanding of the base fees for the recorder’s services and the housing trust fund fees charged. Additionally, IAD obtained and reviewed the following sections of the O.R.C. to gain an understanding of specific fees:

- O.R.C. § 317.09 “Recording and filing notices of federal tax liens.”
- O.R.C. § 317.24 “Record of Discharge.”
- O.R.C. § 4123.76 “Claim against noncomplying employer a lien.”
- O.R.C. § 1309.501 “Filing office - UCC 9-501.”

IAD conducted interviews with the Recording Division Clerk III and Clerk IV, utilizing a standard internal control questionnaire, to gain a further understanding of the cash collection process. Additional information was obtained regarding the processing of delayed payments. IAD obtained and reviewed written instructions regarding Daily Receipt Balancing and the processing of Escrow Accounts from the Director of Administration to gain an understanding of the reconciliation process for the Recording Division. Additionally, the Director of Administration provided IAD with a State of Ohio County Recorder Table of Fees listing the documents in which standard recording fees applied as well as listing specific fee types. IAD traced the flow of fees collected from a recorded document through to its deposit into the Summit County Treasurer’s Office.

IAD judgmentally selected five days between 1/1/08 to the present and performed reconciliation testing. An additional fifteen transactions between 1/1/08 to the present were selected and a recalculation of fees collected was performed.

The following issues were noted:

10. Issue:

Upon discussion with the Recording Division Director of Administration, the division accepts delayed payments (accounts receivables), which are relatively small and infrequent in nature. The delayed payments are accepted from the Court of Common Pleas, Probate Court, and the Treasurer’s Office for the filing of documents prior to the closing of a case and release of the respective delinquent tax liens. The receivables due are manually tracked in a Delayed Payment Logbook after the recording of the respective document. Currently the CRIS + Plus system is not set up to properly record these receivables.

**Summit County Recorder and Conveyance Divisions
Preliminary Audit Final Report
Detailed Comments**

Recommendation:

IAD recommends that the Recording Division explore the feasibility of setting up and using a receivables module within the existing CRIS + Plus software. This will help to ensure that the Recording Division is accurately monitoring receivables due and will help facilitate the collection of those fees.

Corrective Actions Prior to the End of Fieldwork:

The Recording Division has implemented and begun utilizing a receivables module within the CRIS + Plus system.

Management Action Plan:

Corrective action taken prior to end of field work.

III. Security:

Security issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with Ohio Revised Code §149.433.