

County of Summit
Fiscal Office – Recorder Division
Preliminary Audit Report

Prepared for:

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Audit Committee

Approved by Audit Committee
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EXECUTIVE SUMMARY

Total Number of Issues – 7

Policies and Procedures

| Section | # Issues | Issue Descriptions | Page Ref. |
|--------------------------------|-----------------|--|------------------|
| Policies and Procedures Manual | 2 | <ul style="list-style-type: none"> • Employees not acknowledging receipt of policies and procedures. • Insufficient or no written policies and procedures for two areas. | 7 |

Internal Controls

Strong Internal Controls:

| Testing Section | # Issues | Issue Description | Page Ref. |
|------------------------|-----------------|--------------------------|------------------|
| Fringe Benefits | 0 | | 11 |
| Personnel Files | 0 | | 11 |
| Recorder | 0 | | 12 |
| Conveyance | 0 | | 12 |
| Veteran Card Issuance | 0 | | 12 |

Weaknesses in Internal Controls:

| Testing Section | # Issues | Issue Descriptions | Page Ref. |
|------------------------|-----------------|--|------------------|
| Revenue | 3 | <ul style="list-style-type: none"> • Improper segregation of duties over daily cash collection and reconciliation. • Improper segregation of duties over input of voids and approval. • Two (2) part receipt book not utilized for documenting manual receipts during the interruption of cash receipt systems. | 9 |
| Asset Inventory | 1 | <ul style="list-style-type: none"> • IT assets are not monitored. | 10 |
| Payroll | 1 | <ul style="list-style-type: none"> • Improper approval of payroll. | 11 |

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GENERAL BACKGROUND

The Fiscal Office – Recorder Division consist of the following two departments:

RECORDING

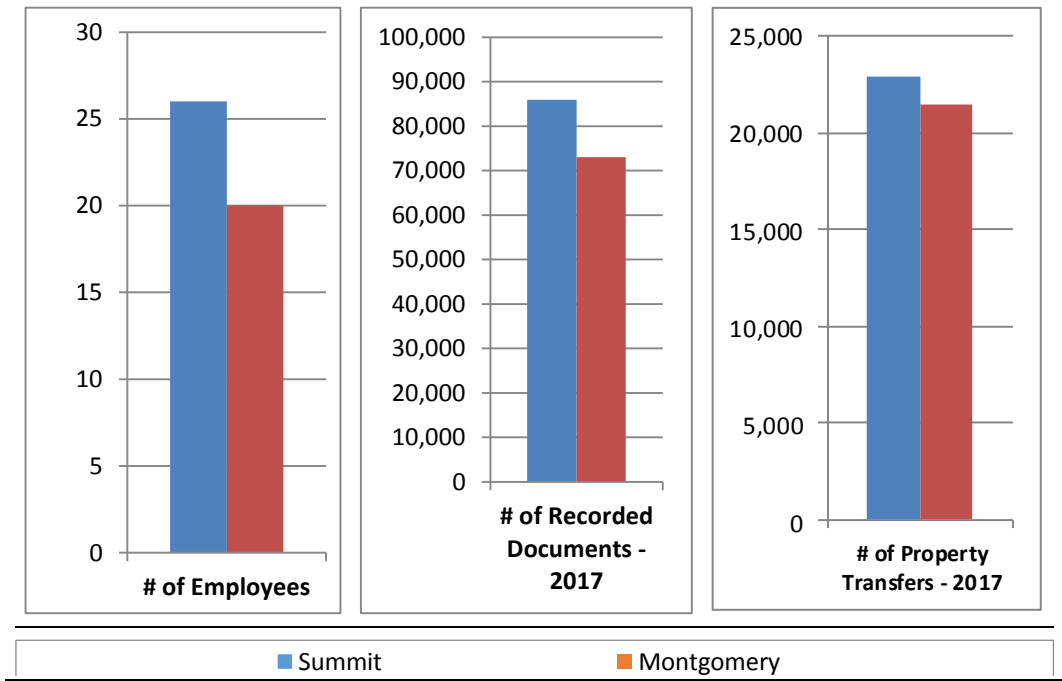
The Recording Division keeps and maintains accurate land records ensuring that they are current, legible and easily accessible. These invaluable records are utilized by the general public, attorneys, historians, genealogists and land title examiners. Recording consists of four departments: Receipt/Recording, Document Scanning/Microfilming, Indexing/Verification and Customer Services.

PROPERTY TRANSFER

Property Transfer consists of two departments: Tax Maps and Conveyance. Property Transfer is responsible for the ownership of property in Summit County. The employees must interpret the document presented to them to determine the validity of the document for conveying. These employees work closely with land title examiners, attorneys and the general public on a daily basis.

The Recorder Division consists of twenty six (26) employees (0.1% of Summit County employment) comprised of a Director, Assistant Directors and Clerks. The Recorder Division’s revenue is largely made up of property transfer and conveyance and recording fees. Total revenue collected in 2016 and 2017 amounted to \$12,887,340 and \$14,786,139, respectively.

IAD compared the Recorder Division’s current staffing level and the 2017 total number of documents recorded and property transfers to Montgomery County’s Recorder Division. The comparisons are represented in the graphs below:



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AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Recorder Division with reasonable assurance, based on the testing performed, on the adequacy of the system of management control currently in effect for the audit areas.

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 Division.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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.

Objectives:

- To obtain and review the current policies and procedures.
- To review the internal control structure through employee interviews and observations.
- 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 the Recorder Division from June 1, 2017 through May 31, 2018.

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. Obtain and review the document retention policy and determine if policies and procedures are currently in place and being followed.
4. Test procedures for mandatory compliance where applicable.
5. Identify audit issues and make recommendations where appropriate.

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OBJECTIVE 2 – REVIEW OF INTERNAL CONTROLS

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

OBJECTIVE 3 – REVIEW OF SECURITY (covered in a separate report in compliance with ORC §149.433).

1. Perform a general overview of the physical environment and security of the department/agency being audited.
2. Interview various personnel to determine that confidential information is secure and processed only by appropriate parties.
3. Test security issues where appropriate.
4. Analyze current policies and make recommendations.

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DETAILED COMMENTS

Interviews:

To gain an understanding of the Recorder Division, IAD performed interviews with the following positions:

- Director of Recording
- Assistant Directors (2)
- Clerical Specialists II (2)
- Clerk IV (4)
- Office Manager

Any issues noted are addressed in the respective sections of this report.

I. Policy and Procedures Review:

Recorder Division policies and procedures were reviewed for each of the following applicable testing sections within the audit for accuracy and completeness and compared to current processes for consistency. The Recorder Division Records Retention Schedule was also reviewed for completeness and compared to processes throughout the audit to ensure that the schedule contained all relevant documents.

The following issues were noted:

1. Issue:

Upon discussion with Recorder Division personnel, IAD noted that employees are not required to acknowledge receipt and review of Recorder Division policies and procedures.

Recommendation:

IAD recommends the Recorder Division employees sign-off, acknowledging their receipt and review of policies and procedures. This will help to ensure compliance with the policy and procedure manual and best practices.

Corrective Action Taken Prior to the End of Fieldwork:

IAD obtained policy and procedure acknowledgement forms for all active Recorder Division employees.

Management Action Plan:

Going forward, the Recorder Division will continue to ensure that all employees execute a sign-off, acknowledging their receipt and review of policies and procedures of the Recorder Division.

Target Date: February 1, 2019

2. Issue:

Upon review of policies and procedures, IAD noted insufficient or outdated policies and procedures for the following areas:

- Escrow process
- Recording and receipting of documents during outages

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Additionally, IAD noted that the cash handling policy was updated; however, it was not disseminated to Recorder Division employees.

Recommendation:

IAD recommends that policy and procedures are created/updated, approved, and disseminated for all functional areas within the department. This will help to ensure that proper procedures are in place and consistently followed within the department.

Corrective Action Taken Prior to the End of Fieldwork:

IAD noted a policy and procedure was created related to the escrow process and recording and receipting of documents during outages.

Management Action Plan:

Recorder Division will continue to ensure that an escrow process and recording and receipting of documents during outages is maintained and updated within the policy and procedure manual.

Target Date: February 1, 2019

II. Internal Control Testing:

Risk-based internal control testing and/or observations were performed in the following areas:

- Revenue
- Asset Inventory
- Payroll
- Fringe Benefits
- Personnel Files
- Recorder
- Conveyance
- Veteran Card Issuance

REVENUE

Recorder Division policies and procedures were reviewed, an observation was performed, staff interviews were conducted, and flowcharts were created and approved to gain an understanding of the cash receipts cycle, and internal controls in place.

A sample of daily deposits was haphazardly selected for detail testing to ensure proper segregation of duties, appropriate recording into the respective accounting system, and timeliness and accuracy of the deposit. A fee listing from the Eagle Recorder System and IAS4 System were obtained and fees were reconciled to the Ohio Revised Code and Summit County Codified Ordinances, where applicable. Additionally, a sample of transactions was selected and reconciled to ensure fees charged agree to the fee schedule. Voided receipts were reviewed to ensure the void was reviewed by a supervisor, the reason the void was documented and proper segregation of duties.

The following issues were noted:

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3. Issue:

Upon detail testing of cash receipts, IAD noted six (6) out of nine (9) instances, or 67%, where the same employee received cash and performed the daily reconciliation, creating an improper segregation of duties.

Recommendation:

IAD recommends that the Recorder Division assign different employees to the receipting and reconciling functions of cash. This will help to ensure proper segregation of duties.

Management Action Plan:

Recorder Division has assigned different employees to the receipting and reconciling functions of cash and will update the policy and procedures manual accordingly. Training for these employees began September 6, 2018.

Target Date: February 1, 2019

4. Issue:

Upon detail testing of voided receipts, IAD noted twenty-two (22) out of forty-four (44) instances, or 50%, where the same supervisor that created the void also approved the void, creating an improper segregation of duties.

Recommendation:

IAD recommends that the Recorder Division assign different employees to the input and approving functions of voids. This will help to ensure proper segregation of duties.

Management Action Plan:

Recorder Division has assigned different employees to the input and approving functions of voids and will update the policy and procedures manual accordingly.

Target Date: February 1, 2019

5. Issue:

Upon discussion with Recorder Division personnel, IAD noted a two (2) part manual receipt book is not utilized to document receipt of revenue in the event of a system outage.

Recommendation:

IAD recommends the Recorder Division utilize a two (2) part manual receipt book and reconcile the manual receipts issued to the system when the system outage is corrected. Also, IAD recommends the cash collection policy be updated to reflect the same. This will help to ensure accountability and completeness of the manual cash receipts issued in the event of an interruption of cash receipt systems.

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Management Action Plan:

Recorder Division will incorporate a two (2) part manual receipt book to document the receipt of revenue in the event of a system outage. This will be incorporated into the Recorder Division policies and procedures manual by February 1, 2019.

Target Date: February 1, 2019

ASSET INVENTORY

Policies and procedures were reviewed to gain an understanding of the asset and IT inventory processes and internal controls in place.

The following issue was noted:

6. Issue:

Upon discussion with the Recorder Division and Office of Information Technology (OIT) personnel, IAD noted that Recorder Division IT assets are not tracked.

Recommendation:

IAD recommends an IT asset listing be created for each asset and that the listing be reviewed regularly. This will help to ensure the accuracy and accountability over the IT assets.

Management Action Plan:

The Fiscal Office as a whole will create an IT Asset list to track said assets, which will be reviewed and updated annually. This will be incorporated into the Procedures Manual for the Summit County Fiscal Office by February 1, 2019.

Target Date: February 1, 2019

PAYROLL

An interview was conducted to gain an understanding of the payroll process. A payroll approval report was generated and reviewed to determine appropriate authorizations and to confirm a proper segregation of duties. A sample of employees that received compensatory time was haphazardly selected and detail testing was performed to ensure the compensatory time reconciled to Kronos and contained proper approval.

The following general recommendation and issue were noted:

General Recommendation:

Upon discussion with Recorder Division personnel, IAD noted no review of overtime/compensatory time after the time is entered into Kronos by Fiscal Office Payroll personnel. IAD recommends that Recorder Division personnel review compensatory/overtime hours in Kronos prior to approving payroll to ensure hours in Kronos are accurate.

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7. Issue:

Upon review of payroll approval and sign-off in Kronos, IAD noted eight (8) out of eight (8) pay periods with improper approval (e.g., no employee from the Recorder Division signing off or approving payroll and no back-up for department approvers), creating an improper segregation of duties.

Recommendation:

IAD recommends that payroll be approved and signed off by the appropriate parties (e.g., a departmental employee approves and a back-up approver is assigned). This will help to ensure the accuracy and accountability of payroll records as well as a proper segregation of duties.

Management Action Plan:

Approval for overtime, with regard to payroll, will be signed off by the supervisor with specific knowledge of an employee's hours, even if said supervisor is not someone specifically within the Recorder Division.

Target Date: February 1, 2019

FRINGE BENEFITS

Detail testing of the following areas was performed, if applicable, to confirm that the Recorder Division is properly processing fringe benefits in accordance with IRS tax code:

- Travel and meals reimbursement,
- Cash incentives, awards, gift awards and/or bonuses,
- County paid life insurance policies over \$50,000,
- Uniforms and clothing allowances,
- Employment contracts,
- Agency vehicle usage,
- Allowances for firearms or tasers and/or any other non-lethal weapon,
- Tuition assistance and reimbursement,
- Subcontracted employees,
- Domestic partnership.

No issues were noted.

PERSONNEL FILES

Fiscal Office Personnel policy and procedures were obtained to gain an understanding of the personnel file process. A sample of classified employees was haphazardly selected and detail testing was performed to ensure an annual performance evaluation was performed, in accordance with Summit County Codified Ordinance § 169.17. Employee job descriptions were obtained and reviewed for positions that require professional licensures or certifications and detail testing was performed to ensure the professional licensures or certifications were obtained, when applicable.

No issues were noted.

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RECORDER

Policies and procedures and applicable Ohio Revised Code (ORC) sections were reviewed, staff interviews were conducted, and a flowchart was created and approved to gain an understanding of the recorder process, the laws and regulations that govern it, and internal controls in place. A sample of recorded documents were haphazardly selected and detail testing was performed to ensure the document was complete and indexed correctly and a label was attached to document precise time and date. A sample of deeds were haphazardly selected and detail testing was performed to ensure deeds were properly approved, complete, recorded timely and a label was attached to document precise time and date. Additionally, a sample of tax certificate assignments was haphazardly selected and detail testing was performed to ensure proper recording of liens. ORC sections applicable to the Recorder Division were reviewed and testing was performed to ensure compliance.

No issues were noted.

CONVEYANCE

Policies and procedures and applicable ORC sections were reviewed, staff interviews were conducted, and a flowchart was created and approved to gain an understanding of the conveyance process, the laws and regulations that govern it, and internal controls in place. A sample of property transfers was selected and detail testing was performed to ensure a conveyance number was assigned, the conveyance form was completed, the transfer was reviewed and the property record was updated. Additionally, IAD selected a sample of property transfers to ensure that a sales contract was obtained, when applicable. ORC sections applicable to the Recorder Division were reviewed and testing was performed to ensure compliance.

No issues were noted.

VETERAN CARD ISSUANCE

Policies and procedures and applicable ORC sections were reviewed, staff interviews were conducted, and a flowchart was created and approved to gain an understanding of the veteran card issuance process, the laws and regulations that govern it, and internal controls in place. A sample of veteran cards issued was haphazardly selected and detail testing was performed to ensure compliance with ORC and Recorder Division policies and procedures.

No issues were noted.

II. Security:

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