



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

COCC – OFFICIAL RECORDS DEPARTMENT

REPORT # 250

NOVEMBER 12, 2013

DATE: November 12, 2013

TO: Pat Frank, Clerk of the Circuit Court

The Audit Team performed a review of the Clerk of the Circuit Court's Official Records Department, (Audit Report #250, dated November 12, 2013). Management requested the review in an effort to improve overall operations and customer service in the Department. Responses to the Audit Team's recommendations were received from the Director of Official Records and have been included in the report after each audit comment and recommendation.

The Audit Team appreciates the cooperation and professional courtesies extended to the Audit Team by the Director and personnel of Official Records during this review.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
Director, County Audit

c: Dan Klein, Chief Deputy Clerk to the Board
Julia Poupart, Director, Official Records

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION:

Chapter 28, Florida Statutes, mandates that the Clerk of the Circuit Court (Clerk) to be the County's recorder of all instruments as required by law, and as such, is allowed to charge a specified fee based on the type of services rendered. The Official Records Department (Department) is responsible for recording, indexing and archiving all the instruments which create the official records of the County. These records are maintained by the OnCore Recording System (OnCore). The Department collects documentary stamp taxes, intangible taxes, recording fees, and other miscellaneous fees. Additionally, the Department processes passports and home solicitation applications. The Department uses OnCore as the point-of-sale system. OnCore provides sequentially numbered cash receipts for these transactions. Clerk's Accounting reconciles the funds collected by the Department to the OnCore records and then prepares the bank deposits for pick up by a courier service. Clerk's Accounting also records the deposit in Banner Finance (the Clerk's official accounting system).

OBJECTIVE:

The review objective was to evaluate process efficiencies, effectiveness, and controls over the Department's mail-in and cash collections processes.

SCOPE:

The review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors. Review procedures included interviewing key personnel, reviewing key documents, conducting fraud risk questionnaires, and analyzing various operational processes associated with the Department.

The review period was October 1, 2012, through March 31, 2013.

OVERALL EVALUATION:

The Department was responsive to the Audit Team's inquiries and provided thorough information when requested. Staff members provided data and other information in a prompt and courteous manner to the Audit Team. The Team identified policies and procedures that were written and had been implemented over all functions of the Department. Customer service provided by staff was exemplary. The Department is staffed by knowledgeable and dedicated employees who were receptive to the recommendations made by the Audit Team.

The following table summarizes the review comments and corresponding cross references to the page number where the review comment details can be found in the report.

REVIEW COMMENTS	DESCRIPTION	PAGE REFERENCE
1	Opportunities exist to improve the Department's record archiving and disaster recovery backup processes.	page 3
2	There are inconsistencies in meeting the Department's established incoming mail processing performance goals.	page 5
3	Controls are not in place to ensure that documents are consistently recorded with the proper fees being collected.	page 8
4	There is a lack of physical security controls in the cash handling process.	page 9
5	The Department is not in compliance with the State of Florida General Records Schedule (GS11).	page 11
6	Recording of official records may be unnecessarily delayed.	page 12
OBSERVATION		
	Clerk's Policy ER1.5, <i>Collection and Handling of Monies</i> needs clarification.	page 13

OPINION:

Based on test results, internal controls related to the mail-in and cash collections processes are, for the most part, adequate. The controls over the mail-in process could be improved to enhance overall operations.

The Audit Team's recommendations, if implemented, would further enhance the operations of the Department.

The exit conference was held on September 12, 2013.

AUDIT BY:

Peggy Caskey, Director, County Audit
Steve Hooper, Audit Manager
Ben Everett, Auditor
Brenda Tyler, Auditor

COMMENTS & RECOMMENDATIONS

Control Activities: Listed below are review comments that represent opportunities for the Department to strengthen the internal controls surrounding its operations. For each comment, a recommendation has been included.

REVIEW COMMENT 1

Opportunities exist to improve the Department's record archiving and disaster recovery backup processes.

Chapter 28, Florida Statutes mandates the Clerk's obligation to record, create, and archive various types of documents as "permanent official records." The mandate does not identify a specific method, such as microfilm or digital. Currently, the Department has established digital records as the archived permanent official record. Each evening, the Clerk's IT Department digitally backs up the documents processed and maintained in the OnCore Recording System. The digital backup includes the related indexing data that is vital to quickly locate a permanent document. The primary storage facility for these records is an Iron Mountain facility located in Lakeland, Florida.

The Audit Team noted that the Department also films the various types of documents for its disaster recovery process and stores them in an Iron Mountain Incorporated facility located in Pennsylvania. The documents are the same records that are filmed for the archived permanent official record.

Although the document images are backed up on film, the related indexing data is not. The film only captures images of recorded documents. The equipment used in the filming process has a long history of providing a level of unpredictability due to continual problems experienced by the Department. Two years ago, the Department conducted a cost analysis to explore the replacement cost of the equipment. There has been no recent progress with this replacement project.

It appears that the digital backup could be used for the archived permanent record and the disaster recovery process.

RECOMMENDATION:

Consideration should be given by the Department to evaluate the potential cost savings of using the OnCore digital back up process also for its disaster recovery process. The possible cost savings could include the elimination of one Iron Mountain storage location.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

The IT Department is working on a project to use electronic archiving wherever appropriate, particularly for imaging applications due to the large amount of data and long retention requirements. Several months ago, IT purchased two Nexsan Assureon archiving appliances for this purpose. The primary unit resides at the IT Data Center, and the secondary resides in a secure data room on the 6th floor of the Courthouse building. Data is automatically replicated from the primary to the secondary. IT successfully archived one file server with a plan to begin archiving the Official Records images next. In attempting this, IT found that there is a known issue with Assureon archiving large data stores from a Windows 2003 file server, which is the current server used for Official Records images. The vendor recommends upgrading the file server to Windows 2008R2. IT intends to complete the upgrade by December 31, 2013. This will allow IT to electronically archive the Official Records images and discontinue the current roll film archival.

TARGET COMPLETION DATE:

December 31, 2013

REVIEW COMMENT 2

There are inconsistencies in meeting the Department’s established incoming mail processing performance goals.

The Department established a series of processes to record legal documents received by mail. As part of its own internal policies, the Department developed criterion that established desired timeframes for performing these processes.

The Audit Team developed attributes to test the established criterion.

The Audit Team randomly selected a sample of thirty mail-in document receipts that were processed during the audit period and performed the attribute testing. The following results were noted:

- Attribute: Mail is opened and scanned into OnCore within two business days.

Test Result: 70% of the thirty mailed-in documents were opened and scanned into OnCore within two business days.
- Attribute: Documents are cashiered within one business day after the initial indexing was completed.

Test Result: 80% of the 30 mailed-in documents were cashiered within one business day after initial indexing was completed.
- Attribute: Documents are verified within three days of being recorded.

Test Result: 50% of the 30 mailed-in documents were verified for accuracy within three days of being recorded.
- Attribute: Mail-in payments are deposited the day they are received, or the next business day.

Test Result: 33% of the 30 mailed-in payments were deposited the day they were received or the next business day.

The Audit Team also observed that checks were left unsecured in the mail processing area. The checks were placed in a mail basket that was located in a common area of the Department. No measure of physical security was identified. A sound internal control would be to place the checks in a secure location, preferably, a safe or vault, until ready for processing.

Overall, the mail-in process is not consistently meeting the Department’s established performance criterion. Document and receipted collections are not timely processed.

RECOMMENDATION:

1. Management should evaluate their established mailed-in document processing and payment performance goals and determine if the criterion is being met. The goals should be monitored for compliance on a continual cycle as determined by management.
2. Management should ensure the physical security over the payments received through the mail system by keeping the unprocessed payments in the locked vault.

CLIENT RESPONSE:

1. *Concur that performance goals should be monitored, evaluated and, in this case, adjusted.*
2. *Concur*

CORRECTIVE ACTION PLAN:

1. *Attributes:*
 - *Open and scan mail within two business days.*
 - a. *In the past, scanners were often working on different dates. This practice was recently changed; the oldest date is completed before the next date can be scanned.*
 - b. *There are plans to utilize an existing employee from the Records Library area part time to help the 2 ½ employees who are currently scanning.*
 - c. *It is estimated that up to three days will be needed to open and scan mail.*
 - *Cashier within one business day after initial indexing.*
 - a. *When a backlog occurs, one or two indexers will be pulled to assist. It is preferable to have a larger backlog in indexing than cashiering/depositing money.*
 - b. *However, until additional recorders can be hired or a new recording program that offers a different workflow can be purchased, it is anticipated that it will take up to 5 days from the date received before cashiering takes place. (See last bullet.)*
 - *Verify documents within three days of being recorded.*
 - a. *Verifying is normally 2 to 3 days behind; however, management plans on utilizing some indexers/verifiers at peak times to help cashier, with the understanding that it is preferable to have a larger backlog in indexing/verifying than in cashiering/depositing money.*
 - b. *It is estimated that verifying will take up to 5 days from the time it is recorded.*
 - *Deposits for mailed payments should be made the day they are received or the next business day.*
 - a. *See the second bullet above.*

- b. *Until additional recorders can be hired or a new recording program that offers a different workflow can be purchased, it is anticipated that it will take up to 5 days from the date received before cashiering takes place.*

Note: The above revised goals will be monitored monthly to ensure Official Records is using available resources at an optimal level. When performance measures cannot be consistently met, consideration will be given to increasing staff or adjusting performance goals.

2. *Unprocessed mail bins are no longer kept in the interoffice hallway. Unprocessed mail is now locked in the vault throughout the day, as well as during non-office hours. The supervisor is responsible for bringing bins out of the vault that will be processed each day and assigning the bins to each employee.*

TARGET COMPLETION DATE:

1. *11/01/2013*
2. *09/17/2013*

REVIEW COMMENT 3

Controls are not in place to ensure that documents are always recorded with the proper fees being collected.

Fees are charged to customers for the official recording of legal documents. These fees are collected at the time the document is recorded. Florida Statutes 28.345 does not allow Clerk's offices to charge recording fees to other Clerk's offices and certain state government departments.

When assessing the recording fees, the Audit Team noted that Department employees had access rights in OnCore to waive fees. These rights are not restricted to only the statutory documents mentioned above.

There is no monitoring control in place to review the no-fee document transactions to ensure they qualified for the fee exemption.

RECOMMENDATION:

Management should give consideration to implementing a monitoring control to periodically verify documents recorded as a no-fee transaction, qualified for the fee exemption.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Management will begin routinely spot-checking no-fee transactions to ensure the proper fees are being collected. Employees will be notified and reminded each year during their yearly planning sessions.

TARGET COMPLETION DATE:

10/21/2013

REVIEW COMMENT 4

There is a lack of physical security controls in the cash handling process.

Good business practices ensure physical security of cash at all times. One such business practice is to have a locking tray plate that secures the collections within the cash tray while being stored within a vault with additional cash trays. Another practice is to require cashiers to lock their cash drawer when leaving their work area.

While testing the physical security over the cash handling process the Audit Team noted the following weaknesses:

- After the reconciliation process, cashiers put their collections back into the cash drawer along with their Drawer Balancing Form and store the tray in the Department's vault. The cashier's trays are stored without having locking plates on them. Thus, cash is not adequately protected from exposure to anyone having access to the vault area.
- On one occasion, a cashier left the work area unattended during a scheduled break without securing the cash drawer. Clerk's Accounting's *Cashier's Training Manual* requires that if the cashier is away from the register at any time, the drawer must be locked and the cashier must keep the key in his or her possession at all times.

RECOMMENDATION:

Consideration should be given to enhancing the physical controls over the security of cash collections.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

- *Locking plate cash drawers are not being considered at this time. Management has decided to add a security camera, which backs up digital images for 30 days, to the Official Records vault area as well as the common/public areas. Personal items will not be allowed in the vault. Management believes that this will provide sufficient oversight of the cash tills during the cash transportation process.*
- *Management agrees that all cashiers should lock their drawers when they are away from their workstations. Official Records supervisors will periodically check drawers when cashiers are away from their workstations. Each Official Records cashier will be orally coached on this best practice, which is covered in paragraph 2, page 78, of the Cashier Training Manual. Cashiers know and will be reminded that instances of noncompliance will be reflected in evaluations and other possible disciplinary actions.*

The cashier training instructors will emphasize this best practice during each cashier training class for all students.

TARGET COMPLETION DATE:

10/01/2013

Non-Compliance: Listed below are areas where the Audit Team noted a lack of compliance with agreements, contracts, laws, rules, regulations, policies, and/or procedures.

REVIEW COMMENT 5

The Department is not in compliance with the State of Florida General Records Schedule (GS11).

The State of Florida General Records Schedule provides guidance on the proper retention and disposition of passport records. The records retention timeframe is five fiscal years provided applicable audits have been released.

Currently, passport records are retained beyond their required retention period. The Department is incapable of destroying the obsolete records due to the OnCore software not having the capability to purge these records.

RECOMMENDATION:

Management should consider partnering with the OnCore software vendor to obtain the capability to dispose of the passport records as directed by the GS11.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

The OnCore software vendor, Aptitude, completed a script that can be implemented in October of each year. The script is designed to delete the oldest fiscal year passport data and will keep Official Records in compliance with the retention schedule. The script successfully deleted the passport information from OnCore production on October 8. Official Records is in compliance.

TARGET COMPLETION DATE:

10/08/2013

REVIEW COMMENT 6

Recording of official documents may be unnecessarily delayed.

Clerk Policy ER-15, *Collection and Handling of Monies* guides staff how to handle mail-in payments from customers that do not agree with the fee amount. The Policy states that if the fee is less than \$5.00 of what it should be, then the payment should be processed and the documents recorded. It also states that if the payment is less by \$5.00 or more, the documents are sent back to the customer with an explanation.

During the review, the Audit Team noted that the Department is not in compliance with this Policy. Customer mail-in payments that are short by more than \$1.00 are mailed back to the customer (with the original document) in order to prompt the customer to provide the full fee amount. Therefore, by not complying with the Policy, recording of the documents are unnecessarily delayed.

RECOMMENDATION:

Management should implement controls to ensure the recording of official documents are not unnecessary delayed.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Official Records is in compliance with Policy ER-15. If a payment is less than \$5 short, the documents are recorded and the payment is processed. Staff, including those at Satellite offices, was notified in March to follow Policy ER-15.

TARGET COMPLETION DATE:

03/25/2013

OBSERVATION

Listed below is an item the Audit Team observed during the review which the Audit Team felt was either outside the scope of the review or not directly within the control of the Official Records Department but worthy of being brought to the attention of management.

OBSERVATION

Clerk's Policy ER1.5, *Collection and Handling of Monies* needs clarification.

Clerk's Policy ER1.5 states that, "payments received by mail must be processed on the same day as received, if possible. Any payments not processed on the same day as received must be properly secured overnight, and processed as soon as possible on the next day(s)." According to Clerk's Accounting, properly secured means adequately stored in a locked safe.

The policy does not direct a next business day deposit after receipt. In fact, the word day with the letter s in parenthesis, indicates to the reader that there is not an actual next day for the deposit – it could be days after receipt.

Clerk's Accounting's *Cashiers Training Manual* recommends that all mail payments be cashiered within two business days to reduce the risk of theft or accidental loss.

Using the Clerk's Accounting criteria, the Audit Team identified eighteen of thirty (60%) checks that were not timely deposited within two business days. The test work noted the collections were deposited from three to nine days after received in the mail.

RECOMMENDATION:

Consideration should be given to revising Policy ER1.5 to clarify timeliness requirements for depositing payments.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Management will draft changes to the Collections and Handling of Monies Clerk Policy to remove the vague areas that require clarification. The drafting, editing, and the CARF processing may take a few months to complete.

TARGET COMPLETION DATE:

12/31/2013

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