



## *Internal Audit Report*

# LCCC Recording



**Report Number:** 2017.08

**Date:** May 2, 2017



## Audit of LCCC Recording



To: The Honorable Linda Doggett, Lee County Clerk of the Circuit Court & Comptroller

From: Tim Parks, Chief Internal Audit Officer/Inspector General

Date: May 2, 2017

Re: Audit of LCCC Recording

Dear Ms. Doggett,

The Internal Audit/Inspector General Department (IA/IG) has completed an audit of the Lee County Clerk of Circuit Court & Comptroller (LCCC), Recording Office. David Rollman, CIA, Senior Internal Auditor completed this review.

This audit activity conforms to the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Red Book)* and the Association of Inspectors General (AIG) *Principles and Standards for Offices of Inspector General (Green Book)*.

The audit client's response is attached to this report. We wish to express our appreciation for the cooperation and assistance provided us by management and staff during this review.

This report will be posted to the LCCC website, [www.leeclerk.org](http://www.leeclerk.org), under Internal Audit/Inspector General, Audit Reports. A link to this report has been sent to the appropriate parties.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Tim Parks".

Tim Parks, Chief Internal Audit Officer/Inspector General  
Internal Audit/Inspector General Department

TJP/GK



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# Audit of LCCC Recording



## Executive Summary

The Lee County Clerk of Circuit Court & Comptroller's (LCCC) 2017 Annual Audit Plan included an audit of the Recording Office within the Finance Department.

The Recording Office's risk factors were identified in a Risk Assessment Questionnaire that was completed by department management. An entrance conference was held with management to discuss the results, confirm the audit's objective and scope, and to solicit current information regarding risks.

The objective of the audit was to ensure that the recording function is in compliance with State and Federal laws and regulations and is operating in an efficient and effective manner.

A number of tests were performed including:

- Review of redaction guidelines and procedures
- Review of daily balancing procedures, cash handling, distributions, and deposits
- Review of marriage license and ceremony procedures
- Review of passport processes
- Review of escrow accounts
- Review of record retention procedures

An error was found within the computer setup for the distribution schedule of marriage license fees. For each marriage license application, five dollars (\$5) was being forwarded to the State of Florida Department of Revenue (DOR) that should have been retained as a fee for the LCCC. This misapplication of funds was in effect for more than eleven years. The total amount overpaid to the DOR was approximately two hundred twenty-one thousand dollars (\$221,000). Upon discovery, management took immediate corrective action and the fee distribution schedule was corrected in the computer system. In addition, management has begun the necessary steps to initiate a refund request for reimbursement of the misapplied funds from DOR.

Recommendations were made to enhance the monthly balancing and reconciling of escrow accounts.

Our overall conclusion is that the Recording Office employees are performing their duties in a satisfactory manner. Internal controls are deemed adequate to mitigate the identified risk factors. Written policies and procedures are up-to-date and appropriately followed.

The Recording Office is functioning efficiently and effectively.



# Audit of LCCC Recording



## Background

According to Florida Statute 28.222, *“The clerk of the circuit court shall be the recorder of all instruments that he or she may be required or authorized by law to record in the county where he or she is clerk. The clerk of the circuit court shall record all instruments in one general series called ‘Official Records’.”*

The Recording Office is responsible for the official records within Lee County. The office maintains all recordable instruments pertaining to real and personal property and other papers in the official records. Documents presented by the public and the courts are received, indexed, and electronically stored. These records are currently maintained within the OnCore official records repository system. The Landmark Official Records System will replace OnCore; perhaps as soon as year-end 2017. The primary benefits of the system migration are cost savings and added efficiencies.

Electronic recording (E-recording) has been utilized for approximately ten years. Customers may go to an authorized vendor to record their documents, rather than visiting the LCCC Recording Office. The documents are electronically forwarded to the Recording Office by the vendors. Documents are also electronically submitted from the court offices. Electronically recorded documents account for approximately fifty percent of the Recording Office’s volume. Electronic recording has allowed the office to function with fewer personnel and more efficiency than was possible with paper document recording.

Marriage Licenses are issued, recorded and indexed by the Recording Office. Official records and plats are recorded, imaged, and archived. These documents can be accessed by the public via the LCCC web page or by visiting the Recording office. The LCCC Recording Office also acts as agent for the DOR for the collection of documentary stamps. Assistance is given in the processing of applications for US Passports.

On average, approximately 23,000 documents are recorded per month. There are an average of 425 marriage licenses issued, 125 marriage ceremonies performed, and 700 passports processed each month.

The Recording Office has 31 employees; eight work from home. The Office’s personnel budget accounts for approximately 96 percent of total expenses.

## Objective, Scope, and Methodology

The objective of the audit was to ensure that the recording function is in compliance with State and Federal laws and regulations and is operating in an efficient and effective manner.

The scope of the audit included a review of:

- laws and regulations



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- written policies and procedures
- department organization
- fees
- reports and statistics
- the recording process
- escrow accounts
- passports
- marriage licenses
- redaction process

The audit methodology was comprised of the following steps:

- Preliminary Risk Assessment- A meeting was held with management to discuss the audit objective and scope and to solicit information regarding risks.
- Planning - Audit procedures were developed based upon research, audit objective, scope and the preliminary meeting.
- Field Work - Managers and employees were interviewed for insight on the operations. Evaluations and tests were conducted on operations and procedures to address and complete the audit fieldwork.
- Wrap-up - An Exit conference was held with management to discuss the audit results.

## Observations and Recommendations

### *Marriage License Distributions*

The Recording office has been collecting the correct amount for issuing marriage licenses at ninety-three dollars and fifty cents (\$93.50) per issuance. However, the distribution of the funds was incorrect. According to Florida Statutes, the total fee allocated to the LCCC is thirty-two dollars (\$32). Twenty-five dollars (\$25) is to be sent to the DOR for deposit into the Domestic Violence Trust Fund. However, thirty dollars (\$30) was being sent to the DOR. The LCCC was receiving only twenty-seven dollars (\$27) for issuing the marriage licenses. Therefore, for each marriage license issued, the DOR was receiving five dollars (\$5) that should have been posted as a revenue for the LCCC office.

The amount overpaid to the Domestic Violence Trust Fund and underpaid to the LCCC in Fiscal Year 2016 is approximately twenty-six thousand dollars (\$26,000). The incorrect fees and distributions were in effect for more than eleven years. The total amount that was incorrectly distributed, including the prior years, is approximately two hundred twenty-one thousand dollars (\$221,000).

The distribution process for issuing marriage licenses was corrected on March 30, 2017. Fees collected after that date are correctly collected and distributed.



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## Recommendation

It is recommended that Recording personnel periodically review the distribution of funds to verify that they comply with the appropriate regulations.

It is recommended that management request a refund of the overpaid distributions from the appropriate state agency.

## *Escrow Accounts*

The Recording Office establishes escrow accounts for various customers. The customers prepay into the escrow accounts, and the funds are utilized for payment of fees as documents are submitted for recording.

There are written procedures for monthly reconciliation of the escrow account activity in the OnBase system with the corresponding activity in the E1 accounting system. The procedures state that the total escrow deposits and total withdrawals for the month should be reconciled. However, neither the total escrow system balance nor the individual escrow account balances are regularly reconciled.

The risk of not reconciling the escrow accounts on a regular basis is that posting errors in deposits and withdrawals may go undetected.

## Recommendation

It is recommended that the procedures for the monthly reconciliation of the escrow accounts be updated to include reconciling the withdrawals, deposits, and the ending balance in each individual escrow account as well as the total system balance. Documentation of the reconciliations should be maintained, along with a notation of the reconciler and the date reconciled.

To: Tim Parks, Chief Internal Audit Officer/Inspector General

From: Sharon J. Smith, Recording Office Manager

Date: April 26, 2017

Re: Audit of Lee County Clerk of the Circuit Court & Comptroller Recording Office

Dear Mr. Parks,

Thank-you for your recent comprehensive audit of the Lee County Clerk of the Circuit Court & Comptroller Recording Office.

***Marriage License Distributions***

Once the allocation error was brought to our attention we took immediate action to make the correction in the system and have requested a refund from the state. In addition we have implemented a new review process to check all distributions quarterly.

***Escrow Accounts***

Our escrow account balancing procedures have been modified to reflect your recommendations, and are currently balanced through March 2017.

Thank you for the recommendations and if you have further questions please do not hesitate to contact me.