

Walton County
Clerk of the Court's Office
Official Records Audit

Martha Ingle
Clerk of the Courts

Internal Audit Department

Johnny Street
Internal Audit Manager

Report 07-02
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July 11, 2014

Martha Ingle, Walton County Clerk of the Courts

The Internal Audit Department has conducted an audit of Walton County Clerk of the Courts Office Official Records Department (Report 07-02). The operations of the department were reviewed for the period of October 2006 to September 2007 to determine if internal controls adequately ensure all documents are properly recorded, all legally required information is included, and the fees collected for recording documents complies with approved fee schedules. The audit was conducted in accordance with generally accepted government auditing standards, and included such tests as considered necessary for the area under review.

Responses to our Recommendations for Improvement were provided by the Supervisors of Official Records and are incorporated herein.

We appreciate the cooperation of the personnel of the Clerk's office during the completion of this audit.

Johnny Street
Internal Audit Manager

c: Kim Anderson, Civil Court Supervisor
Louise Pippin, Coastal Annex Supervisor
Cindy Yates, Chief Deputy Clerk

EXECUTIVE SUMMARY

Executive Summary

The Internal Audit Department conducted an audit of the Clerk of Courts Office Official Records Department (department). The audit included all areas of operation of the department for the period of October 2006 through September 2007. During testing of certain areas it was necessary to expand this audit period to ensure proper audit coverage. The objective of the audit was to determine if adequate controls were in place to ensure documents recorded in the 'Official Records' of Walton County were recorded properly, accurately, and legally. Also to ensure the department was in compliance with applicable policies and procedures, laws, statutes, and regulations.

In the opinion of internal audit, controls over the department's services, functions, and activities were adequate during the audit period. Based on the work performed, the department materially complied with applicable laws and regulations for the recording of documents.

Opportunities for improvement were noted during the audit and are summarized below:

» Internal Controls for Data Security Need Improvement.

Terminated employee's access to the system was removed promptly after termination. In addition, the OnCore recording system access passwords did not expire and most employees had their original password. Further, some employees had authorization access that would allow them to change system information.

» Official Records does not have an Operating Procedures Manual.

» Certain Recorded Documents did not comply with Florida Statutes.

Documents were recorded in the official records that did not entirely comply with certain requirements set forth in Florida Statutes.

» Void Transactions need Approval Authority Documentation.

Although voided transactions require supervisory approval, there was no documentation of this process. In most voided transactions it could not be determined who authorized the void or why the document was voided.

We commend the Clerk of Courts and the Official Records Department on their prompt courteous service to the public for recording documents. We also commend their desire to ensure that all necessary controls are in place and their prompt attention to any deficiency noted.

INTRODUCTION



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Background

The Clerk of the Courts is designated as the county recorder per Florida Statute (F.S.) 28. The Clerk's Official Records Department (department) carries out the recording function. The primary duty is to record all documents required or authorized by law into the 'Official Records' of Walton County. The Clerk through a modernization project now maintains the official records on electronic media. This media has internal back-ups and a secure off-site storage facility to ensure the integrity of the official records.

Documents to be recorded are either sent to the department through the mail or presented in person at the courthouse in DeFuniak Springs or the South Walton County Courthouse Annex. The Clerk uses the OnCore electronic recording system (system) to maintain the records and make them available for review. After the documents are received by the department they are scanned into the system. Once scanned, the documents are assigned an instrument number, book and page number. The document is then indexed and returned to the customer initiating the recording. After these documents are recorded they are made available to the public by means of a computer terminal and through the internet.

The department also serves as an intake site for receiving and forwarding passport applications to the Department of State. The department also issues marriage licenses. The department also collects and disburses the fees that are charged for the above services.

The Clerk's office is to be commended on the prompt and courteous recording of documents for the general public and their desire to record and maintain the 'Official Records' of Walton County to the highest standards.

Scope, Objectives, and Methodology

The departments audit was conducted for the period of October 2006 through September 2007; however this period was expanded in some areas to ensure an adequate representation of the internal controls was reviewed. The audit included such areas as; data access and security, recording transactions, customer refunds and escrow accounts, voided transaction, cash handling and control, marriage license and passports. Due to confidentiality requirements, the review of passports was limited to the collection of the proper fees.



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The objective of the audit was to determine if the department's policies and procedures adequately support good internal controls. A review was conducted of the controls in place to determine if they ensured that all the documents were recorded and recorded properly, to ensure all legally required information was included on the documents, and to ensure the proper fees were charged, collected, and deposited. Additionally, the review was completed to ensure that the department was in compliance with all federal, state, and local laws, regulations, resolutions, and ordinances.

To accomplish the audit objectives key personnel in the recording department were interviewed in order to obtain a thorough understanding of the department's operations. A review of applicable policies, procedures, laws, and regulations was also concluded. Additionally, samples of transactions for document recordings, refunds, voids, and other transactions determined applicable was conducted. The cash handling process was documented from receipt to deposit. The review included transactions and processes performed at the DeFuniak Springs Courthouse and the South Walton County Courthouse Annex. Additional audit procedures were performed that were considered necessary for the circumstances.

Overall Conclusion

Based on the results of the work performed, the Walton County Clerk of the Courts provided good internal control over recorded documents and materially complied with applicable laws, rules, and regulations and policies and procedures. In the opinion of Internal Audit, the system of internal controls over the recording of documents into the 'Official Records' was adequate. Recommended improvements are noted in this report.

**RECOMMEDATIONS FOR
IMPROVEMENT**

RECOMMENDATIONS
FOR IMPROVEMENT

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1. **Internal Controls for Data Security Need to be Improved.**

The Internal Audit Department conducted an audit of the Official Records Department. A review of the access controls and data security for the OnCore recording system (system) was conducted. The Internal controls to ensure access to the system was restricted need to be upgraded. It was determined that there were no written procedures for data security and access to the system. The following issues need to be addressed:

- A) Terminated employee access to the system was not removed in a timely manner. In the review 13 of 23 terminated employees had access to the system after termination; however there was no indication of an attempt to gain access to the system after termination.
- B) Passwords do not expire. Employee passwords that allow access to the system do not expire. The standard policy for the Clerk and the County is for passwords to expire, at least every 60 days.
- C) Some employees have access to the system that would allow them to change critical system information. It was determined that the access level for some employees should be reserved for management personnel.

The prior department supervisor did not have written procedures that would ensure proper controls over system access. Good system controls would ensure that only authorized personnel have access to the system and that only authorized personnel could make changes to the system.

Internal Audit Recommends management develops written procedures for data security. In addition, management should;

- A) Ensure that upon termination all access to the system be removed for the terminated employee.
- B) Change the system access controls so that passwords automatically expire at specified intervals.
- C) Review the access authority for each employee. Management could consult with the MIS department pertaining to the levels of access needed by the employees.



**RECOMMENDATIONS
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Official Records Audit**Management's Response:**

- A. Access has been removed from all terminated employees. The supervisor will continue to update as needed.
- B. Supervisors and backup personnel will change their passwords.
- C. Access levels of employees have been reviewed and revised to the appropriate levels.

2. Official Records Does Not Have a Procedures Manual.

It was noted that Official Records does not have a policy and procedure manual for the operation of the department. Standard operating procedures help ensure that good controls and directives are established to ensure the department attains its objectives and goals. Also, procedures can provide an invaluable reference guide and also a training tool.

Procedures also provide a benchmark by which management may ensure that the personnel are achieving the desired performance. Without comprehensive written procedures, management may not be able to ensure that personnel are complying with management's directives and controls.

Internal Audit Recommends that a comprehensive written procedures manual be developed for Official Records operations.

Management's Response:

A policy and procedures manual is currently being written by the Official Records and South Walton Annex supervisors.

3. Certain Recorded Documents Were Not In Compliance With Florida Statutes.

As part of the review of the OnCore recording system, a sample of 149 transactions was selected. The records were reviewed to ensure the documents contained all legal requirements when recorded. It was determined that 14 of the records did not contain all the legal requirements per Florida Statutes (F.S.). Ten of these did not have the requirements of F.S. 695.26. This statute states that the Clerk shall not record any



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instrument by which the title to real property or any interest therein is conveyed, assigned, encumbered, or disposed of unless it contains the natural name and address of the person preparing the document and that the name of each witness is legibly printed, typewritten, or stamped immediately beneath their signature. Eight of the instruments did not have the name and/or address of the preparer and four did not have the printed name of the witness. An additional ten documents that did not comply with this statute were also found in the test of refunds.

Additionally, four of the documents did not have the legal requirements set forth in F.S. 713.13. This statute requires that a notice of commencement contain the owner's interest in the site of the improvement and the document contain a general description of the improvement. Three of the documents did not have the owner's interest and one did not have a general description of the improvement.

Further, one record did not comply with the requirements of F.S. 713.132 for a notice of termination. The statute allows an owner to terminate the effective period of a notice of commencement. The notice must contain a statement of the date the notice of commencement is terminated; however the date may not be earlier than 30 days after the notice of termination is recorded in the official records. This notice was recorded after 28 days.

Finally, two documents in the same transaction did not have an official notary seal. It is standard practice for the employee recording a document with the old style raised notary seal to use pencil lead to ensure the seal is visible when scanned. This is applicable to documents acknowledged by a notary outside of the State of Florida. For Florida notaries, F.S. 117.05(3)(a) states that the official notary seal for documents is the rubber stamp seal. The two documents did not have the official seal.

Although a checklist of information required on some of the often recorded documents is available, it is not all inclusive. The lack of written procedures documenting the legal requirements of recording documents may have resulted in the noted omissions. Without written procedures or a quick reference guide, documents may be recorded that do not comply with Florida Statutes.

Internal Audit Recommends management develops procedures that will help ensure recorded documents comply with all laws and regulations. The procedures should contain a comprehensive quick reference guide

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that could help recording personnel ensure that all documents recorded meet the legal requirements for recording.

Management's Response:

While there are many statutory requirements for the preparation of documents, it may not necessarily be within the scope of the clerk's responsibility to insure that these requirements are met.

Staff will be trained on the requirements of F.S. 695.26, with the understanding that not all documents will be returned for corrections.

4. Voided Transactions Need Approval Authority Documentation.

As part of the audit, a review of voided transactions through the OnCore system was conducted. The system requires supervisory approval by the input of their access password to void a transaction. It was determined that the system has the capability of recording the supervisor's name authorizing the transaction void. In Addition, comments may be included that would explain the necessity for voiding the transaction. This information is available for review through a void summary report. The void summary tested was for the period of October 2006 through September 2007 and included 126 voided transactions. Five of the 126 transactions on the summary report had the name of the supervisor authorizing the void and only two of the five voided transactions had comments that properly explained the reason the transaction was voided.

Additionally, since access passwords did not expire, the supervisors' passwords necessary to approve a void would have been easy to discern. This would allow any employee to void their own transaction.

Good business practice dictates a need for proper controls over voided transactions. Improving controls could help ensure that void transactions are not used inappropriately. Written procedures for voiding transactions would provide guidance for the void process.

Internal Audit Recommends that written procedures be developed for voiding transactions. These procedures should include a requirement for the recording of the authorizing supervisor's name and an adequate explanation of the reason the transaction was voided.



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Management's Response:

In order to void a transaction in Oncore, the system requires a Supervisor Override in which the supervisor has to input their user login, password and user comments. For some reason the user comments does not show up on the void or revised transaction reports.

The Official Records supervisor will contact Aptitude to try to find a solution to this problem.