

**Audit of the Orange County
Comptroller's Office Official
Records Department**

**Report by the
Office of County Comptroller**

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**Report No. 390
July 2008**

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July 28, 2008

Martha O. Haynie, Orange County Comptroller

We have conducted an audit of the Comptroller's Office Official Records Department. The period audited was October 1, 2006 through December 31, 2006. The audit scope includes an examination of the adequacy of, and internal controls surrounding, the processing of records, documents and recorded revenues for all major functions in the Department. In addition, an assessment of internal policies, and compliance with these and applicable Florida Statutes, was performed. The scope excludes the information technology systems used by the Department as they are currently in the process of converting to a new system.

We conducted this 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.

Responses to our Recommendations for Improvement were received from the Chief Deputy Comptroller and are incorporated herein.

We appreciated the cooperation of the personnel of the Official Records Department during the course of the audit.

J. Carl Smith, CPA
Director of County Audit

c: Orange County Board of County Commissioners
Jim Moye, Chief Deputy Comptroller
Carol Foglesong, Assistant Comptroller
Tomi Ings, Manager, Official Records Department

EXECUTIVE SUMMARY

Executive Summary

We have conducted an audit of the Orange County Comptroller's Office Official Records Department. The audit included an examination of the adequacy of, and internal controls surrounding, the processing of records, documents and recorded revenues for all major functions in the Department. In addition, an assessment of internal policies, and compliance with these and applicable Florida Statutes, was performed. The period audited was October 1, 2006 to December 31, 2006; however, we reviewed certain activities outside of the audit period based upon the effect of prior transactions or the need to obtain an adequate sample size.

In our opinion, we found that the controls over cash receipts/collections and the processing of documents, tax deed sales, and other transactions for timeliness and accuracy were adequate, except for tax deed sale documents. The controls over ensuring the appropriate documents are made available for public viewing were also adequate. We also noted the following:

Statutorily set fees had not been updated by this Section following a change in the fees occurring in July 2004 and there were no procedures in place to require periodic reviews of the Florida Statutes for such changes. For the period between July 2004 and November 2006 \$19,000 of fees were not charged and collected because of the incorrect fees in use. In addition, errors were noted in the calculation of opening bids for six files in our review that resulted in overpayments to the Tax Collector of \$6,491.

There is not a system currently in place to track mail or other documents as they are received. There is a risk that these documents and any accompanying payments may be removed or lost without detection. We also noted that after documents had been processed they were not adequately secured prior to being mailed although certain documents, such as marriage licenses, contained confidential information.

We noted a forfeited deposit from a tax deed auction was not applied according to the requirements in the Statutes.

The amounts received from the Clerk of the Courts Office to pay for certified copies of marriage licenses sent by the Clerk's Office for recording were not reconciled to the number of licenses recorded. As such, there is no assurance all funds due were received.

Management concurred with or partially concurred with 22 of the 25 Recommendations for Improvement. Corrective action is either underway or planned as noted herein.

ACTION PLAN

**AUDIT OF THE ORANGE COUNTY COMPTROLLER'S OFFICE OFFICIAL RECORDS DEPARTMENT
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the Department considers altering the current organizational structure to create additional oversight and accountability of Tax Deeds by making Tax Deeds a separate function in the organization capable of direct reporting to the Assistant Manager and Manager of the Department. Further, we recommend the Department:		✓			✓
A)	Conducts periodic reviews of all fees charged which are governed by Florida Statutes for all functions under the Department's control to verify accuracy of fees being charged and create a comprehensive fee schedule for internal use by the Department including fees charged by the Tax Deeds Section;	✓			✓	
B)	Revises current procedures to include additional reviews of the accuracy of amounts being reported for opening bid at auction or redemption by the Tax Deeds Section;	✓			✓	
C)	Coordinates with the Tax Collector's Office to ensure the \$60 application fee is appropriately handled; and,	✓			✓	
D)	Reviews past redemptions of tax certificates for instances to determine the feasibility of collecting the \$60 application fee not charged.	✓			✓	
2.	We Recommend the Department considers the feasibility and the resources needed for the following:					
A)	Maintaining a tracking system to account for documents received but not yet recorded.	✓				

**AUDIT OF THE ORANGE COUNTY COMPTROLLER'S OFFICE OFFICIAL RECORDS DEPARTMENT
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NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
2. B)	Locking and securing documents once recorded and changing the organization of the Department so that any documents to be mailed are easily accessible to both the document distribution and scanning functions.	✓			✓	
3.	We Recommend the Department reconciles payments received from the Clerk of the Courts Office to the number of certified copies of marriage licenses made on a monthly basis. Further, the Department should consider contacting the Clerk of the Courts to institute a procedure where the Department bills for certified copies made of marriage licenses.	✓			✓	
4.	We recommend the Department revises current practices for the application of the \$200 default deposit to ensure compliance with the Florida Statutes.	✓				✓
5.	We recommend the Department performs the following:					
A)	Ensures that agents using the ACH process comply with the requirements as shown in the ACH instructions by providing ACH Authorizations;	✓			✓	
B)	Requires that companies submit new, signed Automatic ACH Debit Authorization Agreements when requesting a change to the daily dollar maximum limit;	✓			✓	
C)	Develops a procedure that would make signatures and authorizations easily accessible to Department Staff.			✓		
6.	We recommend the Department ensures controls surrounding bid sheets are adequate to prevent the final bid amounts from being altered.	✓			✓	
7.	We recommend the Department places a security camera in the cash room.	✓				✓

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		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
8.	We recommend the Department considers performing the following:					
A)	Using electronic data transmittal for sending documents to and from the company providing redaction services until such time as they have their own in house redaction capabilities.			✓		
B)	Implementing use of an automated redaction program to automatically redact documents.	✓				
9.	We recommend the Department performs the following:					
A)	All dishonored checks returned to the Department are stamped with a "void" stamp upon receipt.	✓			✓	
B)	The Department applies check collection procedures consistently by adding customers to the Dishonored Check Listing and flagging them in NewVision once a dishonored check has been received. In addition, documentation of the phone calls made, including time, date and person spoken to should be retained.	✓			✓	
C)	Consults with legal counsel to determine which statutes apply to the Department's collection efforts. The Department should then consistently apply any statutes legal counsel finds that govern the Department's collection of dishonored checks.	✓				
D)	Expands the dishonored check collection procedures to address the performance of additional collection efforts in cases where dishonored checks are not repaid.			✓		

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NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
10.	We recommend the Department performs the following:					
A)	Conducts an inventory and create an inventory listing for all types of books stored in the Department, including beginning and ending pages;	✓			✓	
B)	Ensures that all record books are kept in the document vault, being removed only when necessary and returned to the vault at the end of each day; and,	✓			✓	
C)	Institutes a sign-out procedure so that a record exists of who has custody of any books that have been taken out of the vault.	✓			✓	
11.	We recommend appropriate support documentation be obtained if another party will be acting on behalf of the original party for release of liens. In addition, adequate support for changes of address when releases are mailed should be obtained.	✓			✓	
12.	We recommend the Department ensures that all documents scanned into the online images are appropriate and complete by having reviews of the online files and physical files conducted prior to the file being sent to Records Management for eventual destruction.	✓			✓	

INTRODUCTION

Background

The Official Records Department (Department) creates an index, and archives all of the documents that create the Official Records of Orange County. These documents include, but are not limited to: Deeds, Mortgages, Satisfactions, Claims of Lien, Final Judgments and Orders, Notices of Commencement, and Declarations of Domicile. The Department had resided with the Clerk of the Courts prior to the creation of the Comptroller's Office in 1972 by a Special Act of the Florida Legislature. The Comptroller's Office Official Records Department is the fourth largest collector of Documentary Stamp Taxes in the State of Florida, collecting \$238,331,012 for the State fiscal year July 2006 to June 2007. During the audit period, October 1, 2006 to December 31, 2006, the Department collected \$59,544,087 in documentary stamp taxes. The Department has an annual budget of \$3,045,644 for FY 06-07 and \$3,168,207 for FY 05-06.

The Department charges fees, as set forth in the Florida Statutes, for recording, indexing, and archiving documents. When recording documents, the Department collects documentary stamp taxes, intangible taxes, recording fees, and in some cases other miscellaneous fees from customers. Taxes are remitted to the State of Florida's Department of Revenue (DOR), less a commission of one-half of one percent. The recording, coping, and certification fees are retained by the Comptroller's Office. An additional service charge is also collected for recorded documents, which is to be used for the Public Records Modernization Trust Fund, and in accordance with Section 28.24(12)(d), Florida Statutes. A portion of the amount collected is sent to the Clerk of the Courts for technology improvements. Currently the Department accepts payment by cash, check, or Automated Clearing House (ACH) and has plans to begin accepting payments by credit card.

In addition to the recording function, the Department is also responsible for performing collections on dishonored checks given to the Department, transfers of claims of lien to other securities, and tax deed sales of properties brought to auction. The Tax Deeds Section is responsible for handling the tax deed auctions. These auctions occur when a

property owner has failed to pay overdue property taxes. When an owner fails to pay property taxes due, the Tax Collector's Office sells a tax certificate at a public auction and the purchaser of the certificate pays the overdue property taxes. The owner of the property may redeem the certificate by paying the taxes and interest due to the purchaser of the certificate. If the certificate has not been redeemed between two to seven years, the purchaser of the certificate may apply for the subject property to be sold at auction.

If the property is sold at auction, the certificate holder (also referred to as the applicant) will receive the interest and fees due to upon sale of the property. If the property does not sell at auction, the ownership of the property is transferred to the applicant.

**Scope, Objectives,
and Methodology**

The audit scope includes an examination of the adequacy of, and internal controls surrounding, the processing of records, documents and recorded revenues for all major functions in the Department. In addition, an assessment of internal policies, and compliance with these and applicable Florida Statutes was performed. The scope excludes the information technology systems used by the Department as management is currently in the process of converting to a new system. The period audited was October 1, 2006 to December 31, 2006, although earlier periods were reviewed as necessary based upon the effect of prior transactions or the need to obtain an adequate sample size. The audit objectives were to determine the following:

- A) Whether the controls over cash receipts/collections and the processing of documents, tax deed sales and other transactions are adequate to ensure transactions are processed timely, accurately, appropriately, and applicable records are made available for public viewing; and,
- B) Compliance with existing internal policies, procedures, and applicable Florida Statutes.

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To determine whether documents, tax deed sales, and other transactions are processed timely, accurately, appropriately, and applicable records are made available for public viewing, we selected samples of documents received by the Department. We then computed the time between the receipt and recording of marriage licenses for a sample of licenses issued, tracked the time taken between when documents were received and recorded, reviewed tax deed files for timing in going to sale according to Florida Statutes, and reviewed the timeliness of processing for redaction requests and record expunctions performed. We verified amounts due and collected for recording of documents and tax deed sales. We also scanned ACH authorizations for appropriateness and we selected samples of documents and files to ensure that they were made accessible to the public, if applicable.

To determine the adequacy of controls in processing of documents, payments, and deposits, we reviewed documents tracked through the recording process from document receipt through deposit of fees collected. A sample of tax deed files was reviewed and amounts received from each sale were traced to deposit records. In addition, tax deed sales for one year were reviewed to ensure no sales were made to persons banned from sale. We also reviewed marriage licenses to see if they were properly redacted as processed.

To determine compliance with existing internal policies, procedures, and applicable Florida Statutes, we reviewed a sample of tax deed overbid distributions and a sample of tax deed files. We also compared all Statutory fees used in the Department to the Florida Statutes to determine compliance. For a sample of documents recorded, we reviewed the documents against the Department's record/index manual and applicable Florida Statutes for compliance with internal policies and Florida Statutes. We also reviewed redaction requests and expunctions performed against the Department's stated practices.

Overall Evaluation

In our opinion, the controls over cash receipts/collections and the processing of documents, tax deed sales, and other

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transactions for timeliness and accuracy were adequate, except for the controls related to tax deed sale documents. Also, the controls over ensuring the appropriate documents are made available for public viewing were adequate. Based on the results of our testing, transactions were materially processed in compliance with existing internal policies and procedures as well as applicable Florida Statutes. Recommendations are provided herein to assist the Department in addressing areas where improvement is needed.

RECOMMENDATIONS FOR IMPROVEMENT

1. Improvements Are Needed in the Tax Deed Sections' Handling of Sales and Redemptions

During our audit of the Department, we reviewed auction sales and redemptions of tax certificates handled by the Tax Deeds Section (Section) of the Department. From the reviews conducted various errors were noted in the handling of sales and redemptions by the Section. These were as follows:

- A) When reviewing fees charged for tax deed overbid distributions (caused when a tax deed is sold for an amount greater than the back taxes and fees owed), we noted that the fees charged by the Section were not in accordance with Florida Statutes. Section 197.582 and 28.24, Florida Statutes specifies the fees that should be charged during a tax deed sale. On July 1, 2004, the fees were updated in the Statutes, but the Department did not change the fees charged. The fee amounts were not updated for over two years after the change until we brought it to the attention of the Department in November 2006. According to an analysis subsequently prepared by the Section, there were 81 certificates with overbid amounts that were undercharged approximately \$15,000 in service fees. Our analysis revealed an additional 22 certificates with approximately \$4,000 in uncollected overbid distribution fees, for total uncollected fees of \$19,000. Additionally, a review of fees charged in the Department as a whole showed that statutory fees had been kept up to date for all statutory fee types reviewed, with the exception of those in the Section. We also noted that the fees for the Section do not appear in any fee schedule. From a review of procedures and discussion with management, there are no procedures in the Department concerning periodic reviews of the Florida Statutes for changes affecting the Department.
- B) When reviewing files for sold and redeemed transactions, we noted that although the practice of including supplemental taxes (current taxes due, but

**RECOMMENDATIONS
FOR IMPROVEMENT**



not yet late) in the opening bid amount/redemption amount is no longer practiced by the Section, there were multiple instances where unresolved errors were caused by the prior practice. When interest is applied to the supplemental taxes it causes the opening bid amount to be inflated. Interest should not be assessed on these taxes. During our review, we noted the following six items in our sample:

Certificate No.	Audit's Calculated Open Bid	Listed Opening Bid Paid to Tax Collector	Amount Overpaid to Tax Collector*
7892-2003	\$12,694	\$12,954	\$260
4691-2003	4,908	5,001	93
3494-2002	62,299	63,609	1,310
5402-2001	8,321	8,414	93
9044-2003	8,288	8,424	136
4388-2002	221,390	225,989	4,599
TOTAL			\$6,491

* - The amount paid to the Tax Collector is then forwarded to the Applicant that brought the Tax Certificate to Auction

C) We noted that the Section was not consistently collecting the \$60 application fee due from the applicant prior to the tax deed being brought to sale. This was caused by instances where the certificate was redeemed prior to sale and prior to the applicant paying the fee. The Tax Collector's Office collects the redemption amounts, including the application fee for the purpose of refunding it to the applicant. The Section does not have a process to inform the Tax Collector's Office that the applicant should not be reimbursed the \$60 fee. Florida Statutes specify that this fee must be charged to the applicant when the tax deed is brought to sale.

D) We also noted a few other errors while reviewing tax deed files. We noted one instance where a Section employee did not collect the correct amount from the winning bidder. The winning bid was \$49,900, however the Section collected \$49,800. The Section has since issued this customer an invoice to collect

the additional monies due. In another instance, the Section reported \$394 in fees that had not been incurred to the Tax Collector's Office for a redemption. This overstated the tax certificate redemption by \$394, which was then paid to the Tax Collector's Office and forwarded to the applicant.

Some of the above errors noted could have been caused by support documentation attached for payment requests that was inadequate for determining whether the amounts being paid are appropriate. The documentation provided to managers for approval does not show all amounts included in the payment to the Tax Collector (the \$60 application fee, interest accrued, sheriff fees, or other fees). When payment requests are submitted for distributions of the overbid to other parties the support provided consists of a spreadsheet showing the breakdown of the overbid distribution, including fees charged. There may also be a letter from legal counsel regarding handling of the distribution. However, the amount distributed is also dependent on the minimum bid amount and the winning bid amount and, although these amounts are shown on the spreadsheet schedule, there is no documentation provided to confirm that the minimum bid and final bid amounts shown are accurate.

In addition, upon review of the organizational chart for the Department, we noted there is no direct reporting to senior levels of management for the Tax Deeds Office. The current reporting structure of the Section, in relation to other functions of the Department, limits oversight by senior managers.

We Recommend the Department considers altering the current organizational structure to create additional oversight and accountability of the Tax Deeds Section by making it a separate function in the organization capable of direct reporting to the Assistant Manager and Manager of the Department. Further, we recommend the Department:

- A) Conducts periodic reviews of all fees charged which are governed by Florida Statutes for all functions under the Department's control to verify accuracy of

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fees being charged and create a comprehensive fee schedule for internal use by the Department including fees charged by the Tax Deeds Section;

- B) Revises current procedures to include additional reviews of the accuracy of amounts being reported for opening bid at auction or redemption by the Tax Deeds Section;
- C) Coordinates with the Tax Collector's Office to ensure the \$60 application fee is appropriately handled; and,
- D) Reviews past redemptions of tax certificates for instances to determine the feasibility of collecting the \$60 application fee not charged.

Management's Response:

Partially concur. We will consider reorganization of the department, considering that tax deeds is complex and different from the more routine recording and indexing functions.

- A) Concur. We have completed your recommendation by creating a tax deed fee schedule for staff to follow.
- B) Concur. We have completed a revised procedure for tax deed bidding to increase accuracy as you have suggested.
- C) Concur. We have coordinated with the Tax Collector's Office to ensure proper handling of the remittance of our \$60 fee.
- D) Concur. We have completed the review of past redemptions for the uncollected fees and determined that all instances of uncollected fees are over three (3) years old. Consequently, we have decided to absorb the minor loss and not attempt collection.

2. Documents Received by the Department Should Be Tracked Prior to Recording and Appropriately Secured After Recording

During our review of the document receiving and security functions, we noted the following:

- A) The Department does not currently have a system that tracks mail or other documents as they are received and distributed prior to recording the document. Documents received by the Department for recording are secured in a document vault and batches are removed periodically to distribute to staff to be recorded. Documents sent for recording and the accompanying checks are also returned to senders in cases where the documentation for recording, or the funds were insufficient, without any record kept of these documents having been received and returned. In the Tax Deeds Section, files from the Tax Collector's office are dropped off periodically; however, a log is not kept to track the files received from the Tax Collector's office or evidence their receipt before they are entered into the system.
- B) Documents that have been recorded and scanned are stored in open tubs while awaiting mail processing by the Department's document distribution function. These tubs are not secured at night and remain out until the documents are mailed by document distribution. These documents may contain personal and confidential information. Additionally the tubs are located at the opposite end of the office from document distribution.
- C) Documents in the Tax Deeds Section are kept in file cabinets; however, these cabinets are not locked during the evening or weekend. This may enable unauthorized access to these files, some of which contain W-9 forms with social security number information.

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- D) The original Marriage Licenses are placed on a shelf in the document distribution area after the documents are recorded and certified copies are made. These documents contain confidential information which must be redacted before being made available for public viewing, including social security numbers, race etc.

Since documents are not individually tracked as received by the Department there is a risk that mail or other documents could go missing before being processed or recorded. In addition, documents should be adequately safeguarded when in the possession of the Department. Changing the current transaction order so that documents are scanned as received or keeping a log or other system could increase accountability for documents not yet entered into the Departments system.

We Recommend the Department considers the feasibility and the resources needed for the following:

- A) Maintaining a tracking system to account for documents received but not yet recorded.
- B) Locking and securing documents once recorded and changing the organization of the Department so that any documents to be mailed are easily accessible to both the document distribution and scanning functions.

Management's Response:

- A) Concur. We have considered your suggestion of a main tracking system for the incoming documents. The new software being implemented does not provide such document tracking. To handle such a task as this would require extensive staff resources and documentation, and we are not sure that this would be beneficial considering the costs involved. The vast majority of mail and drop-off recordings consists of checks and electronic transfers, thereby reducing the risk and increasing the detection of any

improprieties that may occur. Since we “vault” the documents waiting for processing and utilize software which tracks returned documents, we have decided that this recommendation would not provide a sufficient cost benefit to the department at this time. Should factors change in the future, we will reconsider this recommendation.

- B) Concur. We have made temporary changes considering our current location and are planning to accommodate this more effectively in our new office space.

Management’s Response:

Concur. We have complied with your recommendation by revising our procedure for contacting the Florida Department of Revenue.

3. Reconciliations Should Be Performed Between the Amount Received from the Clerk of the Court and the Number of Licenses Recorded by the Department

Couples who obtain a marriage license pay a fee to the Clerk of the Courts Office (CCO). The CCO then forwards the license to the Department to be recorded. After recording, the Department makes a certified copy of the license to send to the bride and groom. The CCO sends a check to the Department once a month for each of the marriage license certified copies made that month. The Department does not reconcile the amount received from the CCO to the number of copies made. As part of our testing, we attempted to perform a reconciliation between the amounts that were paid by the CCO to the number of marriage licenses recorded by the Department to ensure all revenues due were received. The result of the reconciliation performed is shown below:

**RECOMMENDATIONS
FOR IMPROVEMENT**



Audit Reconciliation			
	For the month		
	October 2006	November 2006	December 2006
Number of Marriage Licenses Recorded Per Audit Count	864	1,029	696
Amount Owed to Official Records per Audit Calculation (Count x \$2.50)	2,160	2,573	1,740
Amount Remitted to Official Records per Clerk of Court	2,690	2,130	2,175
Difference [over/(under)]	\$530	(\$443)	\$435

The table above illustrates the unreconciled differences between the amounts received from the Clerk of the Courts and the number of licenses which were recorded by the Department. The Department should develop procedures to track the number of licenses recorded and the amount received from the Clerk of the Courts. These amounts should be reconciled with each payment received and material differences in the amounts should be investigated.

We Recommend the Department reconciles payments received from the Clerk of the Courts Office to the number of certified copies of marriage licenses made on a monthly basis. Further, the Department should consider contacting the Clerk of the Courts Office to institute a procedure where the Department bills for certified copies made of marriage licenses.

Management's Response:

Concur. We have reconciled to, within reason, the revenues of marriage licenses recorded with the Clerk of Courts for the previous year. We are in the process of changing our procedure with the Clerk of Courts so that we will bill them by statement and collect on a receivable basis.

4. Forfeited Deposit Amounts Should Be Applied According to the Florida Statutes

When reviewing files for properties sold at tax deed auctions, we noted an instance where a winning bidder at an initial

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sale defaulted and failed to complete payment. The \$200 deposit given at the auction by this bidder was correctly retained by Tax Deeds Section and the certificate was sold at a later auction. When we reviewed the file, we saw notations that the \$200 deposit collected from the first winning bidder was applied to the \$60 application fee, mailing costs of \$37.94, \$80.08 to re-advertise the sale, and the remaining \$21.98 was collected as a Comptroller fee. However, a review of the second sale shows the \$60 statutory fee and the \$37.94 in mailing costs were included in the opening bid of \$2,314.40 without being reduced for the \$200 forfeited deposit. As such, the fees were again charged to the winning bidder of the second auction. A review of the documents for the property sold showed that no other mailings were sent out between the original sale date of January 26, 2006 and the final sale date of February 23, 2006. Section 197.542(2), Florida Statutes states:

The high bidder shall post with the clerk a non-refundable cash deposit of \$200 at the time of sale, to be applied to the sale price at the time of full payment...If full payment of the final bid amount is not made within 24 hours ... the clerk shall cancel all bids, readvertise the sale as provided in this section, and pay all costs of the sale from the deposit. Any remaining funds must be applied toward the opening bid.

It appears that the default bidder's forfeited deposit was not appropriately applied according to the requirements of the Florida Statutes. The \$361.74 of fees for bringing the certificate to sale at the first auction, were also charged to the bidder of the second auction. These fees should have been reduced by the \$200 deposit forfeited.

We Recommend the Department revises current practices for the application of the \$200 default deposit to ensure compliance with the Florida Statutes.

Management's Response:

Concur. Our current software system will not accommodate the change recommended. However, we have changed our procedures to handle this process with manual intervention until our new software is implemented this year.

5. Improvements Are Needed In the Department's ACH Process

Companies have the option of entering into agreements which allow the Comptroller's Office to debit their bank account, using Automated Clearing House (ACH) for the cost of recording the documents submitted to the Department. An authorization has to be submitted with the each set of documents sent for recording that gives the Department permission to debit the customer's account for the recording fees charged. The authorizations are kept in the Comptroller's Office Accounting Section, and as such, are not easily accessible to the Department staff. A visual scan was performed of all ACH debit authorizations on file for the audit period; and from this scan, various inconsistencies were noted as follows:

- Five authorizations were received by fax, two of these were not signed and one of the authorization's date was after the date the documents were recorded;
- There were several photocopied authorizations sent by one agent without an original signature and one authorization from this agent was not signed or dated, all the authorizations reviewed for another agent were photocopies with a handwritten date;
- Various inconsistencies were noted for an agent, including several unsigned authorizations and one letter addressed to a courier company with no wording directing the Department to record any documents, or to debit their ACH account.

For all of the items noted, receipts were attached to the documents showing that they had been recorded and ACH accounts charged.

In addition, we reviewed the ACH Authorization Agreements on file for the sample of debit authorizations and found two instances where a company requested an increase to their daily dollar maximum limit, but did not submit a revised Authorization Agreement reflecting the new amount. In one instance, an email request was the only support for the increase; in the other, a faxed letter from the company was all that supported the increase. Additionally, we noted that the ACH Authorization Agreements do not specify who within the companies has permission to authorize debits of the company account for documents submitted for recording. The Department's Automatic ACH Debit Instructions state the following:

If a corporation or organization wishes to use automatic debit payments with paper documents submitted in person, by hand-delivery, by courier service, or by US Postal System, a note providing authority to record using ACH must accompany the documents.

In addition, the ACH Instructions also indicate the authorization must be signed and dated, reference the company's name, and Agent Number. These instructions are provided to agents and do not allow for the use of faxes, copies, or unsigned authorizations. As the Comptroller's Office is drawing funds directly from customer accounts it has a responsibility and duty to ensure that changes and withdrawals are appropriately authorized.

We Recommend the Department performs the following:

- A) Ensures that agents using the ACH process comply with the requirements as shown in the ACH instructions;
- B) Requires that companies submit new, signed Automatic ACH Debit Authorization Agreements when

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requesting a change to the daily dollar maximum limit;
and,

- C) Develops a procedure that would make signatures and authorizations easily accessible to Department Staff.

Management's Response:

- A) Concur. We have complied with your recommendation.
- B) Concur. We have changed our procedures and revised our documentation to implement your suggested change.
- C) Do not concur. We appreciate your recommendation; however, we will continue to follow the previous practice. Original authorizations are maintained in the Comptroller's Finance and Accounting Department.

6. Tax Deed Auction Bid Sheet Controls Need Improvement

The bid sheets used at tax deed auctions are generated by using a word processing program and the amounts bid are then filled in on the preprinted form at the auction by an employee from the Tax Deeds Office. No other employee verifies the amount recorded on the bid form for accuracy. Bid forms should be pre-numbered and prepared in such a way that they cannot be easily duplicated. With the current system, it is possible for the winning bid sheet to be changed without detection after the bidding has ended.

We Recommend the Department ensures controls surrounding bid sheets are adequate to prevent the final bid amounts from being altered.

Management's Response:

Concur. We have completed your recommendation by having two employees simultaneously document bids at each sale and maintain the bid sheets in the files.

7. Security Cameras Should Be Placed In Cash Room

During observations of the cash room we noted, that although there is a security camera outside of the cash room with a partial view of the room, there is not one located inside the cash room. During the day end close out, all of the cash and checks collected during the day pass through this room. All of the cash is counted in this room and on occasions during the close out, the Clerk Supervisor closing the front counter cash stations may be alone with cash and checks received during the day. The presence of a security camera in the cash room creates a deterrent against theft and would allow for visual documentation of the origination and ending of the cash handling process to assist in detecting the cause of any losses.

We Recommend the Department places a security camera in the cash room.

Management's Response:

Concur. We are changing our camera locations to implement your recommendation once we are at the new office location.

8. The Document Redaction Process Should Be Reviewed

The Department uses an outside vendor to block sensitive personal information from being seen on recorded documents (redact). The Department periodically sends images of recently recorded documents to this vendor for redaction. In addition to this, the Department also receives

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redaction requests from people to block certain confidential information from imaged documents available on-line. We noted the following regarding redactions:

- A) Documents for redaction are sent on a hard disk to the vendor via an express mail service. We were informed this is done on a periodic basis as sufficient quantities of documents are obtained. The redacted documents are then returned to Official Records on the hard drive via the express mail service.
- B) On one occasion, we noted an un-redacted social security number appearing in the online records available to the public. Official Records redacted the social security number information upon notification by us; however, the document had been recorded three months earlier.

Section 119.071(5)(7.e) of the Florida Statutes had previously stated:

If the county recorder accepts or stores official records in an electronic format, the county recorder must use his or her best efforts to redact all social security numbers and complete bank, debit, charge, or credit card numbers from electronic copies of the official record. The use of an automated program for redaction shall be deemed the best effort and complies with the requirements of this sub-subparagraph. The county recorder is not liable for the inadvertent release of confidential and exempt social security numbers, or exempt bank account, debit, charge, or credit card numbers, filed with the county recorder on or before January 1, 2008.

On June 27, 2007, the effective date was changed upon the approval of the Governor in Section 119.0714(2)(e), Florida Statutes to January 1, 2011. As such, although there is no legal requirement to redact documents within a certain time-frame, redacted documents help ensure protected or sensitive information is not obtained by unauthorized persons.

We Recommend the Department considers performing the following:

- A) Using electronic data transmittal for sending documents to and from the company providing redaction services until such time as they have their own in house redaction capabilities.
- B) Implementing use of an automated redaction program to automatically redact documents.

Management's Response:

- A) Do not concur. We do not concur with your recommendation. We are close to installing our new software this year, which will provide in-house redaction.
- B) Concur. We concur with your recommendation and will use the redaction feature of the new software as soon as it is available.

9. Improvements Are Needed in the Dishonored Check Collection Process

During reviews of the collection process for dishonored checks we noted the following:

- A) When a check is not honored by the bank, the Department contacts the check-writer to request a new check. The dishonored checks returned by the bank are not stamped with a "void" stamp after they have been returned, although the Department does not redeposit them. Stamping checks with a "void" stamp would aid in preventing them from being used as negotiable instruments after they are returned to the Department.
- B) The Orange County Comptroller's Office Dishonored Check Collection Procedures require, that in addition to sending a letter, the Department, as a courtesy,

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telephone the individual/ organization to inform them a letter is being sent concerning the dishonored check. During our review of 10 dishonored checks, we could not find any documentation for five of the checks to verify the Department had contacted the check-writer by phone. A good business practice is to note the date and time of the phone call, and person spoken to, or whether a message is left. The procedures also require that no more checks be accepted from the individual/organization until the dishonored check situation has been rectified. We reviewed four dishonored check-writers (that had not yet provided payment for the dishonored check) to check if they had been placed on a "cash only" status by inclusion on a Dishonored Check Listing and flagged in the New Vision system; two of the four had not been flagged in the system.

- C) Collection letters sent to persons providing dishonored checks were not consistent. When reviewing letters for the collection of dishonored checks, we noted that there were inconsistencies in the wording for collection letters. Nine of ten letters reviewed provided the customer ten days from receipt of the letter to provide payment, these letters referenced Sections 68.065, 215.34 and 832.08, Florida Statutes. The tenth letter reviewed gave seven days from the receipt of the notice to make payment and referenced Sections 68.065 and 832.07, Florida Statutes. From a review of the Florida Statutes we noted sections 215.34(2) and 832.08 relate to fees charged on dishonored checks and both differ, while Sections 68.065 and 832.07 relate to the amount of time given for payment to be made; one gives 30 days and the other 15 days from the receipt notice. Additionally, we noted the Comptroller's Office's Dishonored Check Collection Procedures state that payment must be made within fifteen (15) calendar days from the date of the notice letter.
- D) In the past additional collection efforts for dishonored checks were performed, usually for checks in excess

of \$1,000; however, we were informed that these additional procedures have not been performed since 2003 for any of the dishonored checks received by the Department. These procedures involved sending additional letters to the writer of the dishonored check and further legal action, if possible. Since fiscal year 2004-05, there are approximately \$20,000 in outstanding dishonored checks. We noted several checks over \$1,000 were outstanding as of the end of the audit period.

We Recommend the Department performs the following:

- A) All dishonored checks returned to the Department are stamped with a "void" stamp upon receipt.
- B) The Department applies check collection procedures consistently by adding customers to the Dishonored Check Listing and flagging them in NewVision once a dishonored check has been received. In addition, documentation of the phone calls made, including time, date and person spoken to should be retained.
- C) Consults with legal counsel to determine which statutes apply to the Department's collection efforts. The Department should then consistently apply any statutes legal counsel finds that govern the Department's collection of dishonored checks.
- D) Expands the dishonored check collection procedures to address the performance of additional collection efforts in cases where dishonored checks are not repaid.

Management's Response:

- A) Concur. We have completed implementation of your recommendation.
- B) Concur. We have completed your recommendation.

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- C) Concur. We will look into the legal requirements and provide consistency.
- D) Do not concur. We do not plan any further action for cost benefit reasons and due to the fact that authorities will not pursue bad checks of small amounts.

10. A Comprehensive Inventory and System to Track Old Record Books is Needed

The Department maintains a listing of books stored in the Department's vault. Relating to this, we noted the following:

- A) There are books in the vault that are not included on the list.
- B) In some instances, the list assumes all of the record books in a sequence contains approximately 600 pages, and calculated the total number of pages based on this figure; however, we found that there is not a consistent number of pages in each book.
- C) We also observed several old homestead patent and receipt books stored outside of the document vault during a two week period; these books are susceptible to damage if not stored appropriately.
- D) The Department does not maintain a sign-out log when books are removed from the vault. On several occasions, we were unable to locate certain books as they were in use within the Department.

A general best practice is to keep a complete inventory of items that could be subject to loss or may be difficult to replace. Without a complete inventory it may difficult to ascertain whether books, or pages from a book, are missing. The Department has a document vault which is climate controlled, reinforced and has a fire suppression system which makes it the best location in the Department for old record books.

We Recommend the Department performs the following:

- A) Conduct an inventory and create an inventory listing for all types of books stored in the Department, including beginning and ending pages;
- B) Ensures that all record books are kept in the document vault, being removed only when necessary and returned to the vault at the end of each day; and,
- C) Institutes a sign-out procedure so that a record exists of who has custody of any books that have been taken out of the vault.

Management's Response:

- A) Concur. An inventory has been conducted and a listing prepared.
- B) Concur. Your recommendation has been placed into effect.
- C) Concur. A sign-out procedure has been instituted.

11. Appropriate Documentation Should Be Required In Handling of Transfers of Lien

A Transfer of Lien form is prepared by an individual or company that wants to remove a lien that has been placed on a property. At this time, the parties agree to place either cash in escrow or bond with the Department until the dispute is resolved. The Department maintains files on each of the recorded Transfer of Lien Forms and keeps the original bond. Once resolved, the Department will release the bond or authorize the release of the cash from escrow. We reviewed ten Transfer of Lien files and noted the following:

- A) One of the files did not have the same individual's signature on the Release that was on the Transfer of Lien forms. The lien was originally placed against a Condo Association and was subsequently transferred

to cash by an Attorney on behalf of the Condo Association. The release was signed by the Association President, representing the Condo Association. No documentation to justify why the signatures of different individuals were accepted for the transfer and release was noted.

- B) A bond was released to the custody of a law firm employee. No documentation could be found within the file to show an authorization of the bond's release to an individual other than the one requesting the release.

We were also informed that the Department will return bonds by mail to customers, and on occasion will return the bond to an address other than that shown on the Transfer of Lien if the customer furnishes a letter stating that they have moved. The letter is not required to be notarized or otherwise certified as to accuracy.

We Recommend appropriate support documentation be obtained if another party will be acting on behalf of the original party for release of liens. In addition, adequate support for changes of address when releases are mailed should be obtained.

Management's Response:

Concur. We have completed your recommendation.

12. Online Files Need to Be Appropriately Maintained by the Tax Deeds Office

The Tax Deeds Section scans documents, relating to certificates being processed for sale, into online images which are accessible to members of the public interested in reviewing the files for bidding on tax deed sales. After the sale is completed the Tax Deeds Section has the original documents retained for a time by Records Management and then the files are destroyed. In multiple instances when reviewing the online files, we were unable to locate certain

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documents. For example, we noted the following during the audit:

- A) For file 12352-1998, we located an image of a pay request which we later found had been voided and replaced by another pay request; however, the updated pay request was not included in the online images.
- B) For file 12056-2001, two pay requests were found in the imaged file. One pay request was subsequently voided and the updated pay request was also available for viewing. However, there was no way to distinguish the voided pay request as it was not marked in any way in the images.
- C) For file 1523-1997, we were unable to locate the bid sheet. The completed bid sheet could not be located by the Tax Deeds Section as the physical file had been destroyed.
- D) Six in a sample of 30 sale files did not have the pay request scanned into the on-line images.

Without a copy of the bid sheet being retained, Official Records cannot determine whether the recorded final bid amount shown in their system is accurate or whether the amounts collected from winning bidders was correct.

We Recommend the Department ensures that all documents scanned into the online images are appropriate and complete by having reviews of the online files and physical files conducted prior to the file being sent to Records Management for eventual destruction.

Management's Response:

Concur. We are now verifying all scanned images of tax deed files before transmitting them to Records Management. In addition, our tax deed procedures manual has been updated to include this change.