



**Mecklenburg County
Department of Internal Audit**

Register of Deeds Follow-Up Audit
Report 1587

April 4, 2016

Internal Audit's Mission	To support key stakeholders in cultivating an environment of accountability, transparency and good governance.
Internal Audit Contacts	Joanne Prakapas, CPA/CFF, CIA, CFE, CRMA, Audit Director (980) 314-2889 or joanne.prakapas@mecklenburgcountync.gov Christopher Waddell, CIA, CRMA, Audit Manager (980) 314-2888 or christopher.waddell@mecklenburgcountync.gov
Staff Acknowledgements	Deborah Caldwell, CIA, CISA, Auditor-In-Charge Rhonda Minter, Internal Auditor
Obtaining Copies of Internal Audit Reports	This report can be found in electronic format at http://charmeck.org/mecklenburg/county/audit/reports/pages/default.aspx



MECKLENBURG COUNTY
Department of Internal Audit

To: Dena Diorio, County Manager

From: Joanne Prakapas, Director, Department of Internal Audit

Date: April 4, 2016

Subject: Register of Deeds Follow-Up Audit Report 1587

The Department of Internal Audit completed a follow-up audit on reported issues from the Register of Deeds Audit Report 1061 issued November 9, 2011. The objective of the follow-up audit was to determine with reasonable but not absolute assurance whether management took effective corrective action on the issues presented in the audit report.

Internal Audit staff interviewed key personnel, observed operations, reviewed written policies and procedures and other documents, and tested specific transactions where applicable. Internal Audit conducted this audit in conformance with The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.

FOLLOW-UP SUMMARY

There were fifty-four recommendations in the Register of Deeds Audit Report 1061. The following table summarizes the results of the follow-up audit(s) performed to date.

Recommendation Summary					
Fiscal Year	Audit Report	Implemented	Open	Not Implemented	Withdrawn
2013	1361	35	18		1
2014	1461	9	9		
2015	1587	4	5		

Details regarding the most recent follow-up audit are noted in the attached **Follow-Up Results** matrix. Recommendations considered implemented will be excluded from further review. For those that remain open, Internal Audit will conduct a follow-up audit at a later date to verify they are fully implemented and working as intended.

The cooperation and assistance of the Register of Deeds staff are recognized and appreciated.

- c: Deputy County Manager
- Assistant County Managers
- Deputy County Attorney
- Senior County Attorney
- Board of County Commissioners
- Audit Review Committee
- Register of Deeds

Follow-Up Results
Register of Deeds Audit Report 1061

- **Implemented** – Audit issue has been adequately addressed by implementing the original or alternative corrective action plan (**I**)
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				Implementation Status	
Issue	Recommendation	Management’s Risk Mitigation Strategy	Original Implementation Date	Current Status	Comments
2	Internal Audit recommends that the Register of Deeds: F. Require cashiers to set up their cash drawers each morning and properly	Agree. We follow County change fund policy. Our petty cash fund was returned to Finance as of 09/13/2010. Our change fund was adjusted as of 09/12/2010 to reflect our current allocation. We use the standard Mecklenburg County change fund authorization form. We also have a separate form that each cashier must sign when a change fund is authorized. New procedure requires balance of change fund and deposit for every cashier on a daily basis. Change funds are to be secured at all times within a locked drawer or safe, and all funds are returned to a safe at the end of the day. We are testing new receipt printers that work better with our automated cash drawers. We created a cash exchange log sheet to note every transaction changing large denomination bills, signed by the cashier and designated change maker. Daily cash and change fund reconciliation procedures allow us to spot errors occurring from informal exchanges among cashiers. All change funds are to be reconciled for the end of the fiscal year, and at least two surprise reconciliations are to be done randomly. Failure to balance is noted and could result in disciplinary action.	09/2010	IO	Internal Audit determined the automatic opening and locking features of the new cash drawers installed during the recent renovation were not functioning as designed.

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		Individuals may be subject to special audits at any time. Gross or frequent errors may result in the loss of change fund privileges or termination.			
3	Internal Audit recommends that the Register of Deeds: A. Ensure incoming mail is opened with two people present and that checks are documented. Also, checks should be restrictively endorsed immediately upon receipt or immediately processed for deposit in Anthem. If two people cannot be present, management should put other mitigating controls in place.	Agree. We do not have the manpower to have two people present to open mail. By statute, we cannot process the check until we are prepared to file the document or perform the service. We may not know whether our service can be performed until the documents are examined and the fee presented is correct. Therefore, checks cannot be immediately processed when the mail is opened. Mail must be routed to the proper area, and specialists in each area process different mail requests that include checks. Check numbers are logged in Anthem when a check is processed, and verified in the deposit preparation process. The check information is logged into a spreadsheet when a real estate document and the recording check is rejected and returned to the customer. This gives us an audit trail on the majority of checks, especially those that go through the most processing steps. We are open to a cost effective solution, perhaps with scanning the checks and part of the accompanying	11/2011	IO	Internal Audit determined the workflow implemented by management to address the audit issue was not properly designed and implemented.

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		documents. Our software upgrade includes additional scanning capabilities and rejection tracking which may be suitable. NCGS 161-10(c) states: These fees shall be collected in every case prior to filing, registration, recordation, certification or other service rendered by the register of deeds unless by law it is provided that the service shall be rendered without charge.			
	Internal Audit recommends that the Register of Deeds: E. Increase physical security over cash controls to include, at a minimum: a. periodic changing of safe combinations and keys to prevent access by unauthorized persons b. removal of all non-County items from the safes c. labeling and securing each change fund in the safe d. sealing bank bags immediately after the deposit is prepared and keeping them properly secured until pick up by the armored car.	Agree. It is now policy to change safe combinations if a person having that information leaves for any reason. We are working on better physical and electronic key control. Actually rekeying is problematic as the entire building key system is related. We have cleaned the safes and all change funds not in use are kept in a locked safe. The deposit bags should be sealed, but the armored car schedule is so erratic that we cannot seal the change fund deposit. We essentially trade out the master change fund every day, and must use the old fund until the new one is delivered.	11/2011	I	

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6	<p>Internal Audit recommends that the Register of Deeds:</p> <p>D. Increase controls over Anthem system access by, at a minimum:</p> <ul style="list-style-type: none"> a. designating a security administrator b. properly separating duties between staff authorizing access permissions and staff implementing, monitoring and updating permissions c. categorizing data and software based on sensitivity and criticality levels d. documenting individual staff access to various data and software e. developing and implementing a process to ensure user accounts of terminated, transferred or reassigned employees are promptly deactivated 	<p>Agree. Our software upgrade includes integration with a merchant services application such as viaWarp. The Hecon system has been replaced with a more robust Quick Key system that tracks the real time balance on every key. It also has reporting by cashier on copy key valuations that can easily be reconciled to Anthem reports on copy payment transactions. Payment options for copies have been standardized and restricted in Anthem for ease and accuracy in reporting. Our software upgrade will provide a better method for the staff printing of certified copies where payment must be received before the document prints. Working with Finance, we have determined the amount and root cause of variances between Anthem, viaWarp and Advantage revenue. Our fiscal analyst will be reconciling the details at the conclusion of the escrow account project. We will probably incur a substantial charge-off against FY2012 revenue. The actual shortage occurred for FY2009, so we are working with Finance to determine how to handle this. The software upgrade will allow for better controls in our primary software. The password features are</p>	11/2011	IO	Internal Audit determined authorization forms for two employees hired during the scope period were not retained.

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		more robust, including forced changes and better encryption. We have a new employee leave procedure that includes notifying IST and our software support. On a termination, all access is revoked.			
7	Internal Audit recommends that the Register of Deeds: B. Utilize the online Outstanding Purchase Order Report to routinely monitor and manage the Department's purchase orders.	Agree. All planed purchases are encumbered as soon as it is feasible. We are utilizing the PO 610 report from Info Advantage, and periodic monitoring has been assigned to our fiscal analyst. We have 1 outstanding item for \$0.88 from FY2011 that we are working to clear. We monitor the encumbrances for our multiyear fund and release them as necessary.	11/2011	I	
8	Internal Audit recommends that the Register of Deeds: A. Confirm charges against supporting documentation to ensure they are appropriate.	Agree. We have modified our purchasing and accounts payable procedures. In FY2011, we were able to catch an erroneous invoice from one vendor, and so far in FY2012 have caught an invoice from another that appeared to be in excess of contracted amounts. Our primary purchaser has received additional training. We have requested additional object codes so that all purchases from any fund can be classified properly. Our fiscal analyst provides input and assists in monitoring purchases.	11/2011	IO	Internal Audit determined some food expenses were incorrectly posted to the general ledger.

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10	<p>Internal Audit recommends that the Register of Deeds:</p> <p>A. Conduct an annual inventory of department capital assets and report any variances to Finance. Ensure all capital assets, including the two printers and two file cabinets, are properly tagged and included on the Capital Asset Inventory list. The five missing items should be located and the Capital Asset Inventory list should be updated accordingly.</p>	<p>Agree. Most of these concerns date back to the previous administration. We have worked to clear as many issues with our asset inventory as we could. Some items cannot be conclusively determined. There were actually 4 items not located. Of those, 3 were outdated servers dating back to May 2002. Asset number 67726, a high capacity duplex scanner was located at the County Vital Records Office. The Vital Records office performs some functions that are statutory duties of a Register of Deeds. We share the same software platform and use the same specialized equipment. This unit was traded for a non-functional unit. The unit is now obsolete but works better with our software than our newer units. The missing laptop was reportedly turned in to IST but has never been found.</p> <p>Policy on high risk non-capital items is still under development. We will have a laptop issue form for each staff member to sign as replacement laptops are issued. For disposal of capital or high resale value assets, a detailed description is required for every item picked up by the County’s contracted</p>	07/2014	I	

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		<p>property disposal/recycle vendor or IST. I noted in the disposal/recycle vendor report from November 13, 2008 that the prior administration disposed of property with the description “two thousand pounds / 10 big file cabinets” that would appear to be part of two electronic moving file systems that are current open issues. We have the one filing system listed, but the asset number does not match. As to the other items listed as untagged, the microfilm reader printers were tagged before the completion of the audit. In this case, we are actually referring to a system that incorporates software, special boards installed in County personal computers (PC), and special boards installed in microfilm reader printers. The best representation and licensing unit is the PC, so that is where the tags were placed. We have tried to tag all our servers – policy is to tag it as soon as it is installed in the rack.</p> <p>Review of invoices to reconcile assets revealed that the previous administration bought a computer server shipped to an unusual location – Piney Flats, Tennessee at the offices of Business Information Services. This server holds the images and data for</p>			

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		our Historic Documents website. I would have been unaware of this particular asset if not for research conducted to reconcile audit issues. We have incorporated new procedures with our bank note certificate paper. We record the serial numbers sequentially assigned to each employee. Paper is to be used in sequential order. Misprints or other voided certificates are logged as well. Each employee has a locked portable box for transporting their assigned notes within the office. These boxes are further secured in locked room. At the workstations, the bank notes are secured in a locked drawer. Unissued paper is stored in special secured lockers in sequential order. Our software upgrade includes more sophisticated tracking control of the serial numbers, and the serial numbers are tied to the document printed and the receipt. The software project is on track for a go live date in April, 2012.			
12	Internal Audit recommends that the Register of Deeds: C. Work with the Department of Real Estate Services to ensure that the property management service adequately protects the Register of	Agree. We have secured funding for building renovations primarily related to security issues. Customer service will also be enhanced in most areas. The project is under way with the architect working on drawings. We	11/2011	I	

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	Deed's building from water damage, fire or other threats. Also ensure that the physical safeguards used to protect computer resources, documents and data are commensurate with the risk of intentional or unintentional destruction or impairment.	<p>really should have a vault for book and microfilm storage that is water and fire resistant. That is unlikely until the next major County court complex building is constructed, which hopefully will contain a purpose-built Register of Deeds Office. We will be seeking funding for a dry fire suppression system along with a system to detect and mitigate the risk of water damage in the historic records rooms. The security and evacuation plan for the entire building needs to be updated. We need to re-assign our security and evacuation leaders to reflect changes in the department. We have added offsite tape backup in addition to our mirror site data backup. Physical security of our servers has improved with fitting the main door with a usable lock and adding camera surveillance. We maintain a very complex camera surveillance system.</p> <p>We are working with the County's Department of Real Estate Services and our building maintenance vendor to improve cooling and airflow in the video room. We lose DVR equipment every year because the hard drives in the DVRs overheat. In one case, DVR failure meant the difference between an</p>			

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		arson suspect getting convicted of only count of arson in the building instead of the two counts he was charged with. We now monitor the equipment more closely and have the ability to detect drops in performance that generally show before total failure.			
13	Internal Audit recommends that the Register of Deeds ensure supervisors and staff comply with County policy and review myHR Time Reports both before and after payroll is processed.	Agree. At this time, we monitor the salary budget for anomalies. We have little control of the payroll process after approving time or pay increases. We plan to have all supervisors get updated training in myHr so that they understand how to pull and review the management time reports. The topic was mentioned at our last management meeting and is on the agenda for our next meeting. Our fiscal analyst can provide salary budget reports for comparison.	11/2011	P	Management indicated the recommendation is partially implemented due to misinterpreting the time best suited to run and review post payroll reports.