



Johnson County Auditor
Johnson County, Kansas
PERFORMANCE AUDIT

June 30, 2005

**RECORDS AND TAX ADMINISTRATION
TRANSITION**

"The Records and Tax Administration has made substantial progress in the transition required by Johnson County's Home Rule Charter"



Johnson County Audit Services

June 30, 2005

To: The Johnson County Board of County Commissioners
Michael Press, County Manager
John Bartolac, Director, Records and Tax Administration

The County Auditor reviewed the status of the transition of the offices of Register of Deeds and County Clerk into the department of Records and Tax Administration (RTA) as of May 2005. The audit objectives included determining whether adequate procedures/controls exist to safeguard the assets entrusted to the RTA, expenditures made from the Technology Fund are appropriate, and recommendations of prior external and internal audits have been completed.

We concluded the County Manager and the Director, RTA have effectively planned for and are progressing well on the consolidation of the two offices. A formal plan for consolidation was prepared and implementation is well under way. Official operating procedures have been developed and communicated to staff. Technology Fund expenditures were appropriate and outstanding recommendations from prior audits have been addressed.

We identified a small number of management issues stemming from the prior administration in the Register of Deeds Office that needed attention, and the Director, RTA was receptive to our concerns and recommendations.

The audit was conducted according to applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except that Peer Review has not been performed, and included such tests of the procedures and records as considered appropriate.

I appreciate the cooperation received from County officials and staff during this audit.

William D. Miller, CIA, CGFM
County Auditor

The following auditors contributed to this report:

John Middleton, CPA
Michelle Holland, CFE

RECORDS AND TAX ADMINISTRATION TRANSITION

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RESULTS AND RECOMMENDATIONS

The Records and Tax Administration Is Successfully Implementing a Consolidation Plan

Approximately a year before the County Clerk's and Register of Deeds offices were to be consolidated into one office under the direction of an appointed official, the County Manager effectively began the planning process to provide for a smooth transition. Through the efforts of a consolidation committee appointed by the County Manager, a consolidation plan and priorities for implementation were developed. The County Manager appointed a Director and named the new consolidated office the Records and Tax Administration (RTA). The Director, RTA began following the consolidation plan and taking the steps necessary to ensure success in achieving the plan goals. Our review, disclosed the Director and staff are effectively implementing the plan and have made great strides in achieving objectives of the plan. We identified some management issues and made appropriate recommendations concerning activities of the prior administration in the Deeds office concerning accounting reconciliations, questionable costs, and use of gift cards and certificates.

The County's Home Rule Charter and the RTA Consolidation

In November 2000, voters of Johnson County, Kansas, passed a Home Rule Charter that eliminated the offices of County Clerk and Register of Deeds as elected offices. Effective January 2005, the Charter provided for the consolidation of the offices of County Clerk and Register of Deeds into a county department reporting to the County Manager. A consolidation committee (Committee) was established in February 2004 to identify and study the functions of the offices and determine options for department consolidation. The Committee released a report in September 2004 which agreed to six areas of potential consolidation:

- 1) General Office Administration and Financial Processes
- 2) Document Transfer Process
- 3) Consolidated Website
- 4) Reports Consolidation
- 5) Cashiering Policies and Procedures
- 6) Other Items—Customer Service

In November 2004, an action committee, working to implement the consolidation, released an addendum which planned the RTA organizational structure into six work areas, defined the work flow, discussed physical changes to the layout of the office to assist in work flow, and addressed financial changes that were being made to create the consolidated RTA from the Register of Deeds and the County Clerk.

Accomplishments of the Director, RTA

County management made substantial progress in completing the consolidation items in the transition plan. The Register of Deeds and County Clerk became one office, RTA, in January 2005. Since that time:

- General Administration and Financial Processes have been completely consolidated with the exception of the Technology Fund which is required to remain restricted for Register of Deeds technology operations.
- The RTA established a consolidated website to assist customers for services formerly separately operated by the County Clerk and the Register of Deeds.
- RTA management documented and implemented sufficient cashiering policies and procedures as well as administrative policies and procedures for employees.
- 24 of 31 staff planned for cross training in document transfer processes have been trained in both tax roll and deed recording processes.
- Portions of the customer services have been consolidated and will be completed when the physical consolidation creating one office in RTA is complete.
- Cross training and report consolidation are ongoing processes.

The Director, RTA improved policies and procedures to strengthen internal controls and protect county assets and RTA inventory during the transition. Administrative policies were developed which define the organizational structure and procedures for employment, employee conduct, leave requests, customer service operations, and accounting procedures. The cashiering policy and procedures effectively segregate duties and include reconciliation processes for daily cash receipts and the daily deposits. Our initial review of the equipment inventory listing found some unused computer equipment had been stored in an empty, unsecured office; however, on our following visit to RTA, the office had been fitted with a lock. The Director, RTA also changed all the locks on the safe rooms and the combinations to the safes.

Department policies and procedures had not been created for documenting equipment inventory; however, a listing of the equipment inventory was kept and written policies and procedures were established after we brought this matter to the Director's attention.

The Director is also reviewing a recently received policy and procedure report designed for the Register of Deeds Office to determine its relevance to the newly consolidated office. This was an action outstanding from a prior County Auditor audit of the Register of Deeds office.

There were a few management issues with the prior Register of Deeds Office

All of the issues described below were brought to the attention of the Director, RTA who recognized the concern and need for action where action could be taken.

Escrow accounts had not been reconciled and had an unresolved balance

There was an imbalance of approximately \$983 between the ASPIRE Held for ROD account and the Deed Tracking System (DTS) Escrow account. The DTS escrow account tracks the credit accounts of commercial customers, such as mortgage and lending companies and title companies, and refunds due to private customers. The Held for ROD account is the County General Ledger control account for the DTS escrow account. Before our audit, RTA staff had not reconciled the Held for ROD account to the DTS escrow account on a regular basis. The only time the Held for ROD account was reconciled to the DTS escrow account was when a customer raised a question about a credit or refund due to them. RTA staff has now established procedures for reconciling the DTS escrow account to the ASPIRE Held for ROD account, and plans to reconcile the accounts on a monthly basis beginning with April month end. RTA staff needs to complete the reconciliation and resolve the remaining out-of-balance condition.

There are questioned costs because the end product from a contract cannot be located

Reports documenting the service and capacity of ROD equipment and processes cannot be found. In 2004, a contractor was paid \$2,680 for technology related services documenting the capacity of the ROD scanning equipment and processes. According to the contractor, the documentation of services and capacity findings were summarized in reports and presented to the Register of Deeds staff. RTA and Information Technology Services staffs have tried to locate the reports that summarized the contract vendor's work and findings, but have not been able to locate them. Without these reports, the costs are questionable and the contractor's production of the reports cannot be confirmed.

Gift cards were purchased for employees and were not reported as income

In December 2004, ROD employees received a total of 27 gift cards and certificates valued at \$1,225. These gifts were not reported to Payroll as required by county administrative procedures. Twenty-three of the 27 gift cards were retail store gift cards given on the same date, and in the same amount, to all full-time ROD employees. In October 2004, a memo was released to county management regarding the Employee Achievement Awards program. The memo defined county policy on giving gift certificates as rewards for exceptional achievement. We were unable to determine if the cards qualified as awards under the exceptional achievement requirement of the Employee Achievement Awards program.

The memo also defined the county administrative procedure for reporting gift certificates given as awards since these awards are considered taxable income to the employee. This procedure required departments to report to Payroll all gift cards and certificates given to employees on a Gift Certificate Reporting Form. At the end of October 2004, all departments

were instructed to report employee gift certificates for all of 2004 retroactively. From that date on, departments were to report gift certificates to OFM Payroll on the date they were given.

The ROD staff completed the Gift Certificate Reporting Form from January 2004 through October 2004 for applicable gifts; however, these forms were not prepared for the December 2004 gift cards or gift certificates. We were unable to determine why the reporting procedure was not followed for these gifts. As a result, these gifts have not been appropriately accounted for as income to the recipients.

Conclusions

The RTA has made significant progress in its transition. The current administration improved operations of the section which was previously the Register of Deeds, and addressed previous audit issues; such as strengthening internal controls, documenting and implementing policies and procedures, and safeguarding county assets and RTA inventory. The management issues discussed in the report warrant review and resolution.

Recommendations

We recommend the Director of the Records and Tax Administration:

- 1.1 Complete the reconciliation of the DTS escrow account to the ASPIRE Held for ROD account and resolve the remaining balance.
- 1.2 Report the 27 gift card amounts to Payroll in compliance with County administrative procedures including the required justification for the awards.

Management Response

On behalf of the Department of Records and Tax Administration, I appreciate the opportunity to review and comment on the Performance Audit of the Records and Tax Administration Transition. I also appreciate the professional manner in which the audit was performed and the courtesy extended to my staff and me during the audit. I am pleased to see your acknowledgement of the progress we have made in addressing fiscal and procedural processes since January, 2005.

I wish to provide updated information regarding some data in the report and the recommendations suggested in the audit. Bullet 4 on page 2 of the report indicates that 13 of 31 staff planned for cross training have been trained. Currently 24 of 31 staff have been cross-trained on both the tax roll and recording applications. Also, recommendations 1.1 and 1.2 on page 4 concerning reconciliation and balance resolution of the ASPIRE Held for ROD account and administrative processing with Payroll on 27 gift cards have been addressed and completed.

As we continue to move through the transition, we will update and modify our procedures and controls in a trusted and professional manner. If you have questions or need further information from us, please let me know.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

1. Determine if adequate procedures/controls exist to safeguard the assets entrusted to the RTA.
2. Determine whether recommendations of prior external and internal audits have been completed.
3. Determine the expenditures made from the Technology Fund are appropriate.
4. Review the status of the Records and Tax Administration transition.

Background

The consolidated RTA office is responsible for all of the following county functions:

1. Filing and recording: Mortgages, Deeds, Military Discharges, Uniform Commercial Codes, Death Certificates and various other land records.
2. Document signing or filing: Appointments, Attestations, Cemetery Annual Report, Zoning certificate for private club licenses, disclosure of substantial interest, Firemen's Relief Fund, Contractors performance and maintenance bonds, protest petitions, storage liens, township treasurer and trustee annual reports, and water districts contracts.
3. Issuing Permits and Licenses: Cereal Malt Beverages Applications, Itinerant Sales and Auctions, Moving Building Permits, Peddler's Permits, Private Club Licenses, and Transient Merchants License.

Scope and Methodology

To accomplish the audit objectives the auditors:

- Reviewed prior audit reports
- Reviewed department policies and procedures
- Reviewed Technology Fund expenditures for 2004
- Reviewed the daily activities and reconciliations of daily cash receipts for a sample week
- Compared assets to asset listings
- Compared the county employee listing with the department keycard listing
- Compared the DTS Escrow Account reports to the Aspire HELD for ROD clients account for 2004
- Reviewed the consolidation committee report and transition plan and determined how many steps in the transition plan were complete
- Reviewed procurement card charges for August through December 2004
- Interviewed RTA management and staff
- Discussed practices with prior Register of Deeds

We analyzed RTA operations, policies and procedures, and internal controls and developed our conclusions and recommendations based on the materials gathered and results of our interviews.