Audit Follow-up Review:

Register of Deeds Audit

Durham County Internal Audit Department

December 9, 2021

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December 9, 2021

Ms. Claudia Hager,
Interim County Manager

Dear Ms. Claudia Hager:

Internal Audit completed its audit follow-up of internal controls related to the Register of Deeds audit completed on September 6, 2019. In response to the audit, the Register of Deeds, Information Security and Technology, and General Services departments submitted a detailed corrective action plan to address thirteen (13) findings. Based on our review, we determined six (6) recommendations were implemented, four (4) recommendations are in-progress, and three (3) recommendations were not implemented.

Table 1 summarizes the implementation status of each finding and concern.

We classified the Department's implementation status as follows:

- **Implemented** – The Department has fully implemented the recommendation.
- **Partially Implemented** – The Department has partially implemented the recommendation.
- **In Progress** – The Department intends to fully implement the recommendation.
- **Not Implemented** – The Department has not implemented the recommendation.

The audit team appreciates the Register of Deeds and her team's cooperation and assistance during this audit engagement.

Sincerely,

Darlana M. Moore

Darlana M. Moore,
Internal Audit Director

INTRODUCTION

The Audit Oversight Committee approved this follow up review in the fiscal year 2022, Annual Audit Plan. The review was conducted to determine whether significant measures were taken to address the previous audit findings addressed in the September 6, 2019 report.

The Internal Audit Department (Policy B5.3) requires the department to perform follow-up reviews on all report recommendations. Policy B5.3 states:

"Management of the audited entity is primarily responsible for deciding the action to be taken on reported audit findings and recommendations. Auditors, however, have the responsibility of making quality recommendations and following up to see that action has been taken.[1]"

"Follow-up on audit findings and recommendations is important to ensure that management has taken appropriate action to resolve deficiencies, and to ensure that intended results are achieved. The Internal Audit Department has implemented a follow-up process to determine the adequacy, effectiveness, and timeliness of management's actions on reported findings and recommendations.[1]"

Audit Follow-up

Section 6.12, "Auditors should follow-up on significant findings and recommendations from previous audits that could affect the audit objectives. They should do this to determine whether timely and appropriate corrective actions have been taken by auditee officials. The audit report should disclose the status of uncorrected significant findings and recommendations from prior audits that affect the audit objectives.[2]"

Section 6.13, "Much of the benefit from audit work is not in the findings reported or the recommendations made, but in their effective resolution. Auditee management is responsible for resolving audit findings and recommendations and having a process to tract their status can help it fulfill this responsibility. If management does not have such a process, auditors may wish to establish their own. Continued attention to significant findings and recommendations can help auditors assure that the benefits of their work are realized.[2]"

"Standard – 2500 Monitoring Progress – The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.[3]"

> Section **2500.A1 – "**The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.[3]"

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[1] Internal Audit Department Standard Operating Procedures, Section B5.3 – "Audit Follow-up," page 100.Approved April 21, 2020.

[2] Government Auditing Standards, Chapter 6 – "Fieldwork Standards for Performance Audits," page 68. Issued June 1994.

[3] Institute of Internal Auditors – International Standards for the Professional Practice of Internal Auditing(Standards). Section 2500 Monitoring Progress. Page 18. Issued 2013.

BACKGROUND

Register of Deeds

The Register of Deeds Office (the "Department") mission is to act as legal custodian of all land titles and land transaction documents within Durham County. In addition, the Register of Deeds files and records deeds, deeds of trust, uniform commercial codes (UCCs), corporations, assumed names, military records, and other legal papers; registers delayed birth records and issues marriage licenses; and administers the oath to notaries public. The Register of Deeds has the responsibility of indexing and cross indexing all documents filed. The Register of Deeds office is now a Passport Acceptance Agency. Program participation started on June 3, 2019. Citizens can submit applications to apply for a passport.

A notable duty, the Real Estate Records for the years 1881-1962 have been rescanned to produce legible digitized images. These books were originally scanned in 1999. Technology has changed, allowing for images to be processed for better quality. During the year, the office has completed three batches and are currently reviewing a fourth.

The Register of Deeds is subject to State Laws that require specified fees and allocation of revenues for the services provided by the office. In fiscal year 2019 the office collected approximately $9.07M in cash receipts and indexed more than 58K records.

AUDIT OBJECTIVE

The objective of the review was to determine whether significant measures were taken to resolve the findings and recommendations addressed in the September 6, 2019 report. We evaluated the Register of Deeds corrective action plan to validate the Department's progress as it relates to the administration of contract monitoring and compliance.

AUDIT SCOPE AND METHODOLOGY

The scope of this audit will include an examination of Register of Deeds' corrective actions since their 2019 internal audit. The audit will cover corrective actions taken from July 1, 2019 through November 23, 2021. To conduct our audit, we:

1. reviewing findings in the Register of Deeds 2019 internal audit report,
2. communicating with management regarding the status of corrective actions taken to resolve the findings,
3. reviewing documentation provided by management to support their statements regarding corrective actions that have been taken, and
4. determining whether corrective actions have been implemented, partially implemented, are in progress, or have not been implemented.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

	Findings	Recommendations	Corrective Action Plan	Current Status
1.	Pension Fund Allocation	ROD should add a new configuration to their system, so the pension fund is calculated correctly.	The Register of Deeds office has noted the omission of the State Treasurer receipts from the NC Pension Fund. Effective July 2019, the vendor has successfully added the State Treasurer receipts to the monthly reports. We are currently working collectively with the Finance Department and the Vendor to ensure all receipts are correctly aligned and reflective in reporting. The Pension Fund has been recalculated and the funds will be submitted to the State Treasurer by the end of the month. The Vendor is developing a fix for the reporting which follows that set forth in the NC Register of Deeds Guidebook; Appendix 2 and will load this fix into our test environment. the testing and verification have a completion projection within ninety days.	**Implemented**
2	Pension Fund Allocation	The Register of Deeds should reconfigure their system to accurately account for the pension fund amount of liability.	The office of the Register of Deeds has contracted with a new Vendor, "Tyler Technologies." This new system is currently being configured to address this issue as well as others within the office. Each receipt will show the correct configuration upon final installation. The anticipated completion date is May 2022.	**In Progress**

	Findings	Recommendations	Corrective Action Plan	Current Status
3	Escrow Accounts	ROD and Finance must work collaboratively to bring the escrow accounts into compliance. We also recommend the ROD issue the escrow account owners a periodic statement detailing their activity and balance.	ROD has met with Finance to establish best practices for escheating of escrow accounts. Account holders with no activity as of 6/30/18 have been contacted via mail and were offered two options. 1) To close the escrow account and receive a full refund of the balance. 2) Receive a refund of the balance, simultaneously keeping the account active for "View Only" purposes. Responses are due back in writing by August 30, 2019. If we do not receive a response from customer, the account will be closed, and monies refunded. Refund checks will be requested via finance and mailed by the second week in September 2019. Checks that are not cashed will be queried in two years per the escheating process of the Finance Department. ROD will send monthly statements to account holders, effective September 2019. A written policy and procedure will be added to the Bookkeeping Manual within ninety days.	**Implemented**
4	Indexing Review	We recommend that ROD establish written policies and procedures concerning the indexing of a vital record. Also, the system should be reconfigured to detect improper segregation of duties.	We are currently working with our software vendor to determine the capability of our current system to effectively segregate the duties of indexing/verification of vital records documents with the workflow. Current policies and procedures will be amended to include the requirement for segregation of duties.	**Implemented**

	Finding	Recommendation	Corrective Action Plan	Current Status
5	Written Policies and Procedure Manual	ROD should create a formal, documented policies and procedures. In addition, staff should be trained on new policies and procedures.	Policies and procedures will undergo an internal review and documentation will be added and cross training will be utilized to enhance staff understanding of duties and job performance.	**Implemented**
6	PCI DSS Compliance	We recommend that ROD establish written policies and procedures that adhere to PCI-DSS requirements. We also recommend mandatory training for all employees who are involved with credit card processing. Contracts should be updated to place all ownership on the vendor. Contract language should be updated to require the vendors provide an updated certification of compliance annually. IS&T is encouraged to replace telephone lines in Admin. II building to narrow the scope of PCI-DSS compliance.	Durham County PCI-DSS policy continues to be in draft without formal approval. Projected time of completion is February 2022. ROD staff did receive mandatory training for all employees involved with credit card processing. The contract with Forte is a three-year contract; therefore, it has not been updated since Internal Audit's last review. None of the previous recommendations have been addressed. The contract is currently being updated and recommended items addressed by end of third quarter 2022. IS&T has replaced telephone lines in Admin. II building as stated in the finding to narrow the scope of PCI-DSS compliance.	**Partially Implemented**

	Finding	Recommendation	Corrective Action Plan	Current Status
7	Business Continuity Plan (Including Disaster Recovery Plan)	IS&T and Risk Management should review the ROD Continuity of Operations Plan (COOP) to ensure all critical elements are well defined and addressed to develop a well-written and comprehensive plan. We also recommend IS&T develop a testing site so it can test data in a test phase environment prior to testing County information during production phase.	The ROD has worked with Risk Management to create a Risk Register. In addition, the COOP has been updated to address critical elements. IS&T is working to provide is a secondary site that will be a mirror image of the current site. Testing the ability to recover applications in the event of a disruption will be conducted occasionally to ensure staff are well trained on recovery procedures and find potential configuration issue that would prevent continuing business operations in a timely fashion. The anticipated time of implementation is July 2022.	**In Progress**
8	Performance Evaluation	ROD should include qualitative and quantitative metrics into its analysis of performance.	COVID has interrupted the matrices established to evaluate staff. Also, the current Aumentum system does not allow management to obtain adequate reports to use during the evaluation process. Volume and accuracy could not be determined to effectively evaluate staff. The ROD will be moving to a new system with more robust reporting by the second quarter of 2023.	**In Progress**

	Finding	Recommendation	Corrective Action Plan	Current Status
9	Strategic Plan	We recommend ROD implement a framework for developing strategic objectives. Also, they should create alternative strategic solutions based upon an appropriate risk assessment, key performance indicators, monitoring indicators (for signs of success or failure) and setting a time frame for achieving those goals.	Per the ROD, the drafting of the strategic plan has been discontinued because it is not a required document.	**Not Implemented**
10	Customer Surveys	We recommend that ROD conduct a formal customer satisfaction survey.	The ROD is looking for new opportunities for customer engagement. In addition, ROD is looking for opportunities for customers to utilize popup surveys while online using the office website. Office kiosks are being considered that utilize images which can be selected (instead of words/statements) so that non-English speaking individuals will also be empowered to participate in survey attempts. Anticipated completion date is second quarter 2023.	**In Progress**

	Finding	Recommendation	Corrective Action Plan	Current Status
11	Glass Windows	The Safety and Health Committee (SAC) and General Services should work together to implement a security screening section inside of every major building within the County. We also recommend the County install more secure glass within the ROD.	The glass windows remain the same since Internal Audit's last review. In addition, management deems it unfeasible to implement a security screening within every public building within the County.	**Not Implemented**
12	Active Assailant Training	We recommend the Safety and Health Committee and the General Services department collaborate to finalize a training day or a web training for ROD staff.	There has not been an active assailant training course since the date of the last audit report. The anticipated date for an online class will be between January and February 2022.	**Not Implemented**
13	Surveillance Camera	We recommend the ROD activate the cameras as soon as possible. In addition, cameras should be adequately backed up to prevent and monitor theft and illegal activities conducted by the employees.	We concur that the security cameras above each cashier station need to be operational as soon as possible. IS&T indicated today that the switches should be installed by the end of the week (August 16, 2019). Brady Integrated Security is ready to program the cameras into the S-2 Enterprise system as soon as the switches are installed.	**Implemented**