Performance Audit:

Register of Deeds

Durham County Internal Audit Department

September 6, 2019

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Mr. Wendell Davis,
County Manager

Dear Mr. Davis:

Internal Audit completed its audit on internal controls related to the Register of Deeds in Durham County. The audit focused on (1) evaluating the economy, efficiency, and effectiveness of the Register of Deeds Office operational, strategic planning, and budgeting; (2) determining if the Register of Deeds Office is compliant with all applicable statutes, ordinances, policies and procedures; (3) determining if the system controls are properly set; and (4) determining whether a disaster recovery and business continuity is in place.

Additionally, this report describes specific findings uncovered during the audit related to IS&T, Risk Management and Finance, along with corrective recommendations. **<u>Please note that none of the findings in the report are material</u>.** With the exception of one finding, departments agreed with the findings.

Overall, there were several deficiencies that require immediate attention. Controls are insufficient over activities related to: pension fund calculation, business continuity and disaster recovery plan, strategic plan, employee evaluations, customer surveys, glass windows, active assailant training, surveillance cameras, and network backup policies and procedures. Lastly, there are no formal department policies and procedures for several key business activities.

The audit team appreciates the cooperation and assistance provided by department directors and additional department staff, IS&T, Finance, the General Services Security Management during this audit engagement.

Sincerely,

Darlana M. Moore,
Internal Audit Director

INTRODUCTION

The Audit Oversight Committee approved this audit in the fiscal year 2019 Annual Audit Plan. This audit was conducted to identify and examine departmental controls over the Register of Deeds performance.

We conducted this performance 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 the audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.[1]

BACKGROUND

The Register of Deeds Office (ROD) acts as the custodian and manager of various public records filed in Durham County. Activities related to the public records include:

- recording, indexing and storing all real estate and business-related documents presented for registration
- issuing marriage licenses
- handling notary commissions and military discharge recordings
- providing certified copies of recorded documents, such as birth and death and any other official documents maintained
- collecting fees for services and copies
- collecting state excise tax on real estate transfers

ROD mission is to act as legal custodian of all land titles and land transaction documents within Durham County.

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.[2]

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[1] Comptroller General of the United States, *Government Auditing Standards,* Washington D.C.: U.S. Governmental Accountability Office, 2011, p.17.

[2] Register of Deeds Annual Report for 2019.

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.[3]

Cash Receipts Allocation	
Category	Amount
State Excise Stamp-County	$3,548,303
State Excise Stamp-State	$3,548,303
General-County	$1,505,435
State Treasurer	$200,613
Automation Account	$172,760
Domestic Violence	$69,240
Children's Fund	$11,540
NC EBRS	$6,948
Escrow Unearned	$11,407
Other	$1,350
Total	**$9,075,899**

Indexing per division	
Division	Amount
Vital Records	13,927
Real Estate	44,588

[3] Register of Deeds, Aumentum Recorder 2019 Departmental Reports.

ROD's has five service areas located on the third floor of Administration building II.

DEPARTMENT SERVICE AREAS	
Area	Services
Vital Records	• marriage license • notary • birth and death certificates • e-recording of vital records • other
Real Estate	• deeds and deeds of trust • plats • assumed names for businesses • deed satisfaction • e-recording of instruments • other
Indexing	• quality control check and verifying the indexing process
Bookkeeping	• cash collection review and reconciliation • cash deposit process
Customer Service	• maintenance of record books, some of which date back to 1881 • public assistance for record book retrieval

SYSTEM:

Aumentum Recorder is the system used by all personnel to initiate, record and process all types of transactions. The system is also used in indexing and maintaining records through imagery scanning and makes them available when needed.

Aumentum Recorder creates Cash Out Slip for each cashier to record the day's total cash. Also, it provides a Receipt Summary Report, which denotes cash and check payments processed. The bookkeeper must compare the two reports to ensure all payments collected are properly recorded.

AUDIT OBJECTIVES

The audit objectives were to (1) evaluate the economy, efficiency, and effectiveness of the Register of Deeds Office operational, strategic planning, and budgeting; (2) determine if the Register of Deeds Office is compliant with all applicable statutes, ordinances, policies and procedures; (3) determine if the system controls are properly set; and (4) determine whether a disaster recovery and business continuity is in place.

AUDIT METHODOLOGY AND SCOPE

In order to conduct our review, we:

1. reviewed departmental procedures and their practices related to ROD day-day activities,
2. researched and reviewed laws governing Register of Deeds Office,
3. exercised professional judgement to evaluate certain internal controls, and assess departmental policies and practices,
4. inquired of departmental staff who are responsible for the process and related sub-process,
5. reviewed the draft copies of the business continuity and strategic plans and compared them to best practices and frameworks,[4]
6. tested a sample from the daily and/or monthly cash activities to determine if departmental practices were followed, and
7. tested a sample from indexing process to determine if departmental practices align with the state law on standards for indexing.[5]
8. performed surprise cash count visits.

Internal Audit statistically selected a representative sample of indexing and cash activities at a sub-process level and/or division level in ROD's.

The audit scope included activities that were completed during fiscal year 2019 (July 1, 2018-June 30, 2019).

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4 "Business Continuity Management Audit/Assurance Program", ISACA COBIT framework—COBIT 4.1, ITAF sections 3400—IT Management Processes, 3600—IT Audit and Assurance Processes, and 3800—IT Audit and Assurance Management.

5 "MINIMUM STANDARDS FOR INDEXING REAL PROPERTY INSTRUMENTS", Issued by North Carolina Association of Register of Deeds.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Internal Audit identified the following findings and discussed conclusions and recommendations.

Pension Fund Calculation

ROD calculates the pension fund (1.5%) manually at the end of each month[6]. However, ROD uses inaccurate figures as it omits the State Treasure receipts from the total revenue of the month.

The Pension Fund should be calculated first out of the gross receipts of each instrument or record. ROD did not follow the calculation steps as per the guidebook and did not automate the pension fund calculation.

The pension fund account is understated which imposes improper liability recognition and could result in a violation of the statue.[7]

Recommendation: As recommended during the audit, the Register of Deeds should add a new configuration to their system so that the pension fund is calculated correctly. Minimum manual processes will ensure compliance with state statute.

Response: 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 in to our test environment. The testing and verification have a completion projection within ninety days.

Pension Fund Allocation

ROD main software "Aumentum Recorder" is not configured to allocate the pension fund portion of receipts, which leads to the pension fund portion being accrued between the automation account and the general fund. The Register of Deeds (ROD) manually calculates the pension fund monthly and provides the pension fund amount to Finance. Finance accounts for the amount as an expense.

The calculation for the fund should be reclassified from either the automation or the general fund based on the type of instrument. The Finance department did not follow the accounting practices of reclassing between the "Statement of Net Position" instead of posting into the "Statement of Activities."

[6] (NCGS § 161-50.2 Article 3)

[7] "North Carolina Guidebook for Registers of Deeds 10th edition", Appendix 2

Inaccurately accruing pension fund allocation and reclassifying would result in the inaccurate accounting of pension fund and total receipts collected. In addition, it could result in Finance and ROD violating state statute on allocating ROD receipts.[8]

Recommendation: As recommended during the audit, the Register of Deeds should reconfigure their system to accurately account for the pension fund amount of liability. We also recommend Finance add a new GL liability account to be used to remit the pension fund portion according to statue.

Response: Regarding the statements made in the condition: Finance does not agree with the statement that "the pension fund portion is accrued between the automation account and the general fund." Finance posts the total amount of County Register of Deeds revenues received as per G.S. 161-10. As per G.S., 161-11.3, a portion of these revenues is set aside for the ROD automation to be expended on computer or imaging technology and needs associated with the preservation and storage of public records in the office of the ROD. The automation funds are maintained in a separate bank account within the general fund with the revenue and expenditure activity accounted for in a separate cost center in the ROD's business area. The balance at fiscal year-end is reported in a restricted fund balance for the ROD in the general fund. The general fund is a governmental fund which is accounted for on the modified-accrual basis. Therefore, Finance accounts for the pension amount paid as an expenditure.

Regarding the statement made in the criteria: The automation fund is accounted for within the general fund. This is an allowable method provided that the automation funds are accounted for and are restricted for the use as per G.S. 161-11.3. Finance works with the ROD's Office reconciling these amounts and ensuring that these funds are accounted for appropriately and the balance at fiscal year-end is restricted for the ROD for what is allowable per G.S. 161-11.3.

Regarding the statement made in the cause: The general fund is a governmental fund which is on the modified-accrual basis of accounting. Therefore, it is a "Balance Sheet" and "Statement of Revenues, Expenditures, and Changes in Fund Balance" and not "Statement of Net Position" and "Statement of Activities" (e.g., which are full-accrual statements).

It is Finance's understanding based on conversations that it is the opinion of Internal Audit that the County should be accounting for the ROD's receipts (e.g., revenues) net of the calculated 1.5% with the calculated 1.5% being recorded directly to a liability general ledger (g/l) account referencing FASB ASC 405 supporting this opinion. Finance does not agree with this approach. In addition, FASB ASC 405 does not apply. All governmental entities follow the Governmental Accounting Standards Board (GASB), including GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. It is Finance's opinion that GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, applies. The collection of fees by the ROD is a nonexchange transaction as the entity, individual, company, etc. paying the fee is compelled to pay the fee to comply with State statute. Also, the legal authority to collect fees is authorized by the approved annual budget ordinance. ROD that collects the fee is compelled by the ordinance to collect the authorized fee and our g/l should report the full amount of the collected fees. Once the fees are collected, the revenues are then

[8] "North Carolina Guidebook for Registers of Deeds 10th edition", Appendix 2

available to meet the County's obligations (e.g., the 1.5% of the total monthly receipts as the County's pension expenditure).

In addition, there is GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. In summary, "the objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure."

Regarding the statement made in the effect: It is Finance's understanding based on conversations that the formula being used to calculate the monthly pension amount was not in the correct order. The 10% automation calculation was being performed before the 1.5% of total monthly receipts resulting in the automation amount being overstated and the pension amount due being understated (e.g., not enough pension was paid into the retirement system). This was the cause of the inaccurate amounts and not the accounting treatment of the County (e.g., debiting cash and crediting revenues for the total receipts & debiting pension expenditure and crediting accounts payable). G.S. 161-11.3 is referenced as a possibility of State statute violation should the current accounting treatment continue. If the correct methodology and order of calculations is performed, then the current accounting treatment poses no risk to either G.S.161-11.3 nor G.S. 161-50.2.

Regarding the recommendation: Finance agrees with the recommendation to reconfigure the ROD system with the correct methodology for the pension amount which would also correct the automation amount. Finance will continue to work with the ROD's Office until the system reconfiguration is successfully tested and implemented. However, Finance does not agree with the recommendation to create a new g/l liability account to be used to remit the pension fund portion according to statute. The statutes do not explicitly state the accounting treatment for the pension obligation. However, Finance does agree to continue adhering to GASB Statement No. 33 and account and report the total County revenues collected by the ROD's Office and the County's fees collected as per the approved annual budget ordinance and continue to report the County's pension obligation as an expenditure. The financial activity will continue to be reported in the County's general fund with the automation funds at fiscal year-end being reported as restricted fund balance for the ROD. Finance is working with the ROD to calculate the amount that was overstated in the automation funds and not remitted to the pension fund to the State. However, based on a brief overview, Finance does not think the amount is significant or material.

In performing Finance's research and due diligence regarding this finding, the CFO reached out to the Local Government Commission (LGC), the County's external audit firm Cherry Bekaert (CB), and the other counties that are in the Large City/County Finance Officers Association (e.g., Wake, Forsyth, Guilford and Mecklenburg). All agreed that FASB guidance does not apply. The ROD is a governmental function accounted for within the general fund and that GASB guidance should be applied to the ROD accounting and reporting of business processes. Of the counties, Guilford, Forsyth and Mecklenburg Counties utilize the same accounting treatment as Durham County (e.g., crediting revenues for the total receipts and debiting an expenditure account for the pension obligation of the county). Wake posts (credits) total revenues for the total receipts and posts (debits) the pension obligation to a revenue "contra" account. Wake used the same method as Durham and the other counties until sometime around the last recession. The pension obligation is not something that we have control over spending because it is formula based. So, at that time, Wake made the decision to begin using the revenue "contra" account which reduced the expenditure budget as well as the revenue budget. Also, per the LGC, in using either of these methods, these amounts are ultimately immaterial to the County's balance sheet and urged the County to consider cost/benefit of revising the ROD system and the Finance business process for an immaterial transaction. The audit partner at CB included that he thought recording gross versus net provides a better audit trail and that the cost/benefit of calculating the 1.5% daily or monthly should be weighed. Wake, Forsyth and Guildford calculate monthly. That information was not attained from Mecklenburg. However, Finance will defer to the ROD regarding the timing of the calculation.

Escrow Accounts

The ROD uses Escrow Accounts for its recurring customers mainly for Real Estate Services. The ROD has several accounts that have had zero activities for over one year and were not properly escheated. Finance and the Register of Deeds (ROD) did not follow up with one another regarding abandoned accounts to ensure statutory compliance.

The lack of monitoring the escrow accounts could result in a violation and non-compliance with the state statute[9]. In addition, it results in an over statement of liabilities since these amounts are being held as liabilities for a year or longer. Finally, the lack of supervision and monitoring for any outstanding amount increases the likelihood for fraud.

Recommendation: As recommended during the audit, both the Register of Deeds 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.

Response:

Register of Deeds

The Durham County Register of Deeds office has noted the finding and has actively identified and retrieved the list of escrow accounts with zero activity for over one year. The Register of Deeds has met with the Finance Department to establish best practices for escheating of escrow accounts. Account holders with no activity as of 6/30/2018 have been contacted via mail correspondence. Two account maintenance options were offered:

1. To close the Escrow Account and receive a full refund of balance.

[9] (NCGS §116B-53 (c)-12), Property is presumed abandoned if it is held by a court, government, governmental subdivision, agency, or instrumentality, one year after the property becomes distributable.

2. Receive a refund of the balance, simultaneously keeping the account active for "View Only" purposes.

The Real Estate and Vital Records Account holders were informed that in order to maintain a "View Only" account, the minimum account balance requirement is $1.00. 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. The Register of Deeds office will send monthly statements to account holders, effective September 2019. A written policy and procedure will be created and added to the Bookkeeping Manual within ninety days.

Finance

Finance agrees with the recommendation. Finance has met with the Register of Deeds (ROD) to implement the escheat process for escrow balances with no activity for over a year using best practices. In working with the ROD, it is Finance's understanding that two account options were offered:

1. To close the escrow account and receive a full refund of balance.
2. Receive a refund of the balance, simultaneously keeping the account active for "View Only" purposes.

However, should the customer inform the ROD that they do not wish to receive a refund but rather to continue with the balance in their escrow account, then, the balance will remain on the account with no refund to the customer nor being escheated to the State. The notification and correspondence to continue with the balance in the escrow account satisfies the escheat notification process.

Finance will work with the ROD's Office on an annual basis to ensure the escheat process is followed for accounts with balances but no activity for over a year.

Indexing Review

The Division of Vital Records maintains a monthly schedule that identifies personnel assigned to verify previously indexed records. This individual may have been the same individual who initiated the process. The system allows the procedure of verifying to be performed by the same individual who initiated the process. Also, there are no written policies and procedures for indexing a vital record instrument.

The ROD doesn't have written policies and procedures concerning the indexing of vital records. Also, the system is not configured to detect inadequate segregation of duties.

The lack of policies and procedures and the absence of a control that segregates the duties (Initiator and Verifier) could result in improper indexing of the instruments and the lack of detecting errors.

Recommendations: We recommend that ROD establish written policies and procedures concerning the indexing a vital record. Also, the system should be reconfigured to detect the improper segregation of duties.

Response: The Durham County Register of Deeds office has noted the finding of the over lapping of duties when indexing vital record documents. 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. We currently have policies and procedures in place. The policy and procedures manual are located in the vital records office beside the typewriter. These documents will be amended and included in the document will be the requirement for segregation of duties. We plan to scan the procedures into the system. Documentation will be located on the Shared Drive and on One Drive network. The timeframe for this response will be based on the software vendors ability to configure the new workflow, then load in test environment and perform adequate testing before moving into production. This process may be extended through 60-90 days.

Written Policies and Procedures Manual

The ROD does not have formal, documented department-level policies and/or procedures concerning the following: Processing incoming E-recordings; Follow-up procedures concerning outstanding un-indexed instruments; Indexing review procedures; Allocation of workload among staff; and System access controls.

Policies and procedures are an essential part of any organization. Policies and procedures provide a roadmap for day-to-day operations. They ensure compliance with laws and regulations, give guidance for decision-making, and streamline internal processes.

The lack of written policies and procedures could lead to inconsistencies and inefficiencies in performing day-to-day tasks. The lack of policies and procedures could also result in the lack of accountability of staff's job performance.

Recommendation: Internal Audit recommends that the Register of Deeds create formal, documented policies and procedures. In addition, staff should be trained on the new policies and procedures to ensure proper understanding and knowledge of their duties as aligned with departmental goals.

Response: The Register of Deeds Office concurs that in order to have consistent, efficient and effective office performance that clearly defined and accessible policies and procedures must be available to all staff members. The office of the Register of Deeds, through a Memorandum of Understanding with the HR Department, complies with policies and procedures of Durham County Government. Documentation exists and is being aggregated into a central location located in both the Register of Deeds share folder, and the Durham County OneDrive network (which is available from any location) so that any staff member who may need guidance will have the opportunity to access these files when performing their daily duties. The file folder is entitled: Register of Deeds Office Manuals and Procedures. Additionally, NC General Statutes, The North Carolina Guidebook for Register of Deeds and the North Carolina Notary Guide are also resources which guide office practices when recording and filing document. Controls will be added to the system to prompt employees to review E-Recording submissions. Our software solution already provides mechanisms to check for un-indexed documents after the index and verification task.

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. Documents and procedures will be amended to reflect the updated policies and procedures where appropriate within the current fiscal year.

PCI DSS Compliance

The Register of Deeds (ROD) entered into a contract with Forte. Forte is a service provider who processes electronic payments. The contract states both the County and Forte are responsible for PCI-DSS compliance. During our review, it was noted that Forte was not compliant with PCI-DSS. This places the County in jeopardy of being non-compliant, as well.

In addition, the ROD does not have written policies and procedures concerning PCI-DSS to ensure staff knowledge or compliance with PCI-DSS no. 12.[10] Finally, we noted the ROD uses non-analogue standard phone lines to transmit data from credit card readers to the vendor. This activity places the ROD in scope with all PCI-DSS requirements.

All organizations (regardless of size or number of transactions) that accepts, transmits, or stores any cardholder data either over the phone lines or online payments, must adhere to the PCI-DSS. A contract with the County assuming part ownership of liability when the service provider is responsible for credit card transactions is not business savvy. It increases the County's likelihood of non-compliance if/when the service provider becomes non-compliant.

The lack of written policies and procedures exposes the ROD's to non-compliance and violation of PCI-DSS. Any PCI-DSS violation could result in identity theft, fraud, penalties and fines.

The non-analogue standard phone lines to transmit data from credit readers to the vendors places the ROD in scope of PCI-DSS requirements.

Recommendation: We recommend the establishment of policies and procedures that adhere to PCI-DSS requirements. In addition, we recommend mandatory training for all employees who are involved with credit card processing. We recommend that contracts should be updated to place all ownership on the vendor. Also, contract language should be updated to include the vendors to provide an updated certification of compliance annually.

Finally, we also encourage IS&T to replace telephone lines in Admin II building in order to narrow the scope of PCI-DSS compliance.

Responses:

Register of Deeds

The Durham County Register of Deeds has noted the finding of the need for a PCI-DSS compliance policy and procedure. We will work to develop internal best practice procedures that align with the Durham County PCI-DSS policy currently in draft review process. A projected time of

[10] "PCI DSS Requirements and Security Assessment Standards V3.2", Maintaining a policy that addresses information security for all personnel.

completion for the internal best practice procedures development is sixty days based on the approval of Durham County PCI-DSS policy.

IS&T

IS&T supports the recommendation as stated and in working with Risk Management, will team to ensure compliance and training needs are met. IS&T will also take action to replace telephone lines in Admin II building as stated in the finding to narrow the scope of PCI-DSS compliance.

Business Continuity Plan (including Disaster Recovery plan)

The ROD started to develop its own Business Continuity Plan "BCP" early this year. However, upon our reviewing of the BCP, we noticed the BCP lacks several essential elements that should have been included during the development phase. The BCP does not include: a business impact analysis, and risk management strategy. Also, we found the County does not have a testing environment server, which imposes restrictions when testing the plan.

Best practices state a BCP should prioritize business objectives and critical operations that are essential during recovery[11]. This enterprise-wide framework should consider every critical business process, business unit, department, and system that will be affected during the disruption. Subsequent to determining the framework, the necessary recovery solutions should be determined and implemented.

This framework should include a plan for short-term and long-term recovery operations. Without an enterprise-wide BCP that considers all critical elements of the entire business, an institution may not be able to resume customer service at an acceptable level. Management should also prioritize business objectives and critical operations that are essential for survival of the institution since the restoration of all business units may not be feasible because of cost, logistics, and other unforeseen circumstances.

The lack of collaboration and coordination between the ROD, Risk Management, IS&T resulted in an undefined plan.

The absence of a well-defined BCP could result in the disruption of service. This disruption could result in the inability to process customer requests resulting in major financial loss and decreased public confidence and trust.

Recommendations: We recommend IS&T and Risk Management review the ROD Continuity of Operations Plan (COOP) to ensure all critical elements are well defined and addressed in order to develop a well-written and comprehensive plan.

Also, we recommend IS&T develop a testing site so that it can test data in a test phase environment prior to testing County information during the production phase. This will allow IS&T the opportunity to obtain sufficient data concerning the reliability of the plan prior to testing in a production environment.

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11 "Business Continuity Management Audit/Assurance Program", ISACA COBIT framework—COBIT 4.1, ITAF sections 3400—IT Management Processes, 3600—IT Audit and Assurance Processes, and 3800—IT Audit and Assurance Management.

Responses:

Register of Deeds

The Durham County Register of Deeds has noted the finding of the need to reassess the current documented Business Continuity Plan. We have met with a member of the Risk Management team and are collectively working to align the current BCP with the Durham Plans County template and create a Risk Register for more feasible data input. After the completion of the risk management portion of the plan, it will be submitted to IS&T for input. We are projecting to have this finding fully addressed within ninety days.

IS&T

IS&T working with Risk Management will review the ROD Continuity of Operations Plan (COOP) to ensure all critical elements are well defined and addressed in order to develop a well-written and comprehensive plan. Much of this work should be completed as a resulted of the COOP planning activities underway and being led by Emergency Management Services working with all county business units. IS&T also accepts the recommendation to develop a testing site, funding dependent, to test data in an environment prior to testing County information during the production phase.

Performance Evaluation

The ROD lack formal performance measures. Expectations were not measured in a uniform quantitative fashion. The current process allows for a large degree of subjectivity when it comes to evaluating performance. Qualitative measures were not included in performance measurement criteria in day-to-day operations. Additional performance indicators should be developed to accurately reflect the performance of employees and the ROD.

Performance measures quantitatively tell us something important about the services, and the processes that produce them. They are a tool to help us understand, manage, and improve what our organizations do. Performance measures let us know how well we are doing, if we are meeting our goals, if our customers are satisfied, if our processes are in statistical control, and if and where improvements are necessary.

When performance expectations are not measured as effectively as possible, it increases the risk that employee inefficiencies will not be detected and corrected. It also decreases the likelihood that continuous improvements will be achieved by the ROD.

Recommendations: We recommend that ROD include qualitative and quantitative metrics into its analysis of performance. This provides the substance that allows management to understand "why" results occurred the way they did. Using a strong combination of both quantitative and qualitative factors will prove a more effective method of measuring performance and should allow the office to continually improve its processes.

Response: The Office agrees that both strong qualitative and quantitative measures are needed to ensure that a clear and objective employee evaluation can take place. Upon implementation of the Durham County (DCo) current employee performance evaluation system, all managers were required by DCo Human Resources to take performance management and SMART goal creation training courses. In order to create the best possible metrics regarding employee evaluation, all staff members will revisit the Performance Evaluation and Goal Management Training Guide provided by Human Resources. If additional assistance is needed, employee evaluators can also attend future SMART Goal training courses when available. These developments will be reflected in employees' annual assessments after their current evaluation periods conclude.

Strategic Plan

During our review of the draft plan, we found that specific strategic objectives for each of the functional units within the ROD were not well-defined or effectively measured. Management is responsible for planning how resources are allocated to projects and operations that need them. The strategic goals and department vision have not been documented and no framework for assessing and managing risk currently exists.

Strategic plans provide a useful tool for managers to determine the most appropriate tasks to perform. When organizational goals are not effectively defined, management will be less likely to assess risks, develop alternative courses of action, and guide the use of resources to meet their objectives in an efficient and effective manner.

The ROD is in process of developing the strategic plan for the department which resulted in the lack of documentation and a lack of clear and well-defined plan. Without a comprehensive strategy and identifiable objectives, it is difficult for management to develop plans that will move the ROD forward. Additionally, when there is a lack of risk management, it is difficult to identify risk and how this risk might affect the department's overall effectiveness in achieving set goals.

Recommendation: We recommend the 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 goal.

Response: The Durham County Register of Deeds has noted the finding of the need to reassess the current draft strategic plan document to better define the strategic objectives and evaluations. The projected completion of the Strategic Plan document is six months and will align with the current budget cycle.

Customer Surveys

Internal Audit noted that the ROD had not formally surveyed its customers to gauge satisfaction levels and receive feedback on its services. Management stated that it received customer feedback through emails in which customers commented on various aspects of operations and complimented specific employees for their work. However, a survey allows citizens to respond to questions and add comments which will serve as a benchmark for both the ROD and the County.

Government agencies should monitor and evaluate stakeholder satisfaction with programs and services. Assessments should be conducted regularly. The ROD overlooked the importance of customer satisfaction as an indicator of improvement and success.

In the absence of customer satisfaction survey, the ROD will not be aware of any needed improvements. Negative citizen encounters could result in a negative image of the ROD and the County, as a whole.

Recommendation: We recommend that the ROD conduct a formal customer satisfaction survey. Productive customer feedback and input could be used to improve operations and provide better customer service. The ROD could consider an on-site survey, a link to a customer satisfaction survey on its website or mailing a survey directly to customers.

Response: We agree that gauging customer satisfaction and feedback is a vital component of the service provided to the public. Historically, the Register of Deeds (ROD) has tracked customer satisfaction via on-site survey cards/questionnaires. On-site customer satisfaction data collection has, however, been temporarily halted so that improved methods of collection could be explored.

Based on the recommendation, the ROD has reached out to the Durham County IS&T Department, who has a robust feedback collection suite, in order to better understand and possibly model some of their practices. These include email and follow-up surveys for customers once a "ticket" has been completed. The ROD is also exploring third party applications (e.g. – Happy or Not and Survey Monkey) which may allow for phone surveys, email questionnaires or an opportunity for feedback while customers are utilizing the Office's online portal. The ROD will reimplement survey boxes in the lobby of both departments and will utilize these surveys until a more robust solution is developed.

It is anticipated that customer satisfaction collection, utilizing an updated model, will begin again within the next sixty days.

<u>Security Measures</u>

Glass Windows

The type of glass used in the ROD department is UL Level 3 – Bullet Resistance. This type of glass is not bullet proof, it only delays the shooters. Even though UL Level 3 glass is appropriate for the daily operational activities and allows communication to be transmitted easily, this type of glass does not prevent casualties.

Funding restricts installation of higher-level glass; such as Level 7, which is thicker and more secure. The County installs UL Level 3 glass with the expectation that employees will have enough time to run, hide or escape an active shooter.

The absence of advanced bullet resistance glass may result in casualties. These casualties will cost the County millions of dollars due to insurance payouts, compensations and lawsuits.

Recommendation: We recommend the Safety and Health Committee (SAC) and General Services 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. In order to prevent catastrophic events from happening in the County, we must be proactive and protect our employees and citizens.

Response: We concur that security screening should be utilized at buildings servicing non-employee customers.

Security recommendation to SAC which consists of General Managers, Sheriff's Office, Risk Management, Engineering and General Services recommended security screening at the intake point of Admin II. Based on a project team review, coupled with the direction of the Board and Manager, it was recommended to not install full screening at that time as the building was a public facility directly intended to further activate E. Main St and foster a sense of public space through inclusion of multiple public elements (third-party restaurants, etc.) that would operate outside of normal DCo hours.

The structural design of the building also would have required restaurant patrons to go through the proposed significant security screening each time they needed to use a restroom, thus it was determined this would be a significant impediment to an overall County goal of reactivating Main Street. Additionally, the general mix of patrons – in effect, an informal hazard evaluation that indicated risks from the general public in this facility would not generally present at the same level as HHS, hence the application-specific enhancements such as ballistic glass installation in certain departments. In addition, the card access system also limits access to private office areas. Unless you have a DCo-badge with appropriate permissions and/or are escorted by staff with such privileges, the public is limited to the 4th floor meeting spaces and departmental lobbies within the facility. Additionally, multiple departments collaborated on an approach that would provide additional security officers to aid maintaining the security of the facility after normal business hours when the restaurants and ground-level meeting rooms might be open to the public

The class of bullet resistant glass was determined by the engineering design of the building. This level is consistent with current building specifications.

Based on the Internal Auditor recommendations, we will consult with County Engineering and revise the specifications for future applications where financial transactions will occur to incorporate higher grade of bullet resistant glass. This construction requires different framing, engineering and cost to accommodate this recommendation. Cost estimates will be presented to the General Managers and County Manager for funding.

Active Assailant Training

The Register of Deeds employees have not been trained on how to respond to active assailants. Active shooting trainings can teach staff how to respond in a dangerous situation. Trainings give employers and employees lifesaving tools in an otherwise deadly situation.

The County has not enforced trainings for active shootings due to conflicts of schedule between departments and possible disruption of business services. The lack of trainings will jeopardize the lives of the County staff and citizens. It will also tarnish the County's image of not being able to adequately protect citizens and staff. Bad publicity can tarnish our relationships with our customers, vendors and employees.

Recommendation: 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. This training will ensure staff knowledge concerning procedures needed during an active shooting.

Response: We concur that active assailant training and drills be conducted on a regular basis.

- Introductory training is provided via video presentation at New Employee Orientation, but the Security Manager is not present to answer questions or concerns.
- The Security Manager should have at least 30 minutes to talk about active assailant response and answer security related questions at this venue.
- Active assailant training has been conducted in the January-February timeframe each year since 2016.
- In the spring of 2019, Risk Management/Safety provided an online course through Target Solutions that was made compulsory for all County personnel. Feedback from employees and Directors was that the training is too long.
- Emergency Management working with Risk Management is facilitating the creation of Emergency Action Plans (EAPs) for County facilities. These plans are currently being developed and reviewed with drills to be scheduled once completed.
- No notice drills cannot be performed without disrupting operations and potentially causing panic to employees and our customers. Weekend planned drills can be accomplished providing that departments are able to cover any overtime expenses for non-salaried employees.

An Active Assailant Plan for the County and City is currently being created by City/ County Emergency Management, EMS, Durham Police Department, Durham Fire Department, Sheriff's Office, Duke Police Department and City/County Emergency Communications Department. Training on the policy will commence once the plan is completed in fall 2019.

The County also received a FEMA grant in 2018 to plan and train for Coordinated Complex Terrorists Attacks (CCTA) with Wake and Orange Counties. Phase 2 of the federal grant which focusing on training will be implemented in Fiscal Year 19/20.

The Security Manager had a recent conversation with the Risk Manager, and both agreed that a collaborative effort between their departments, plus the DCSO and Emergency Management, needs to be made aware to address this vital training need. The Risk Manager has set up a meeting for August 29th for this purpose.

Surveillance Camera

The security cameras above the cashiers are not being utilized by the Register of Deeds. In addition, none of the cameras are backed up by the Security department. Security cameras allow the ROD to keep a constant eye on the business. Additionally, it will boost efficiency and productivity as well as provide evidence to resolve any conflicts.

The lack of operational surveillance cameras prevents management from monitoring activities; thus, possibly not identifying potential problems.

Recommendation: 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.

Response: 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. There are numerous existing operational cameras that cover the Register of Deeds area to include the cashier cages. However, these cameras do not look specifically at the transaction area of the counters. They are monitored at the Security Operation Center from 7:00 am-5:00 pm Monday-Friday.