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Office of the County Auditor

Shelly A. Banks, C.P.A.

Cook County Auditor

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September 25, 2017

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the Recorder of Deeds Cash Management Functions. We conducted our audit in accordance with the [Cook County Auditor Ordinance](#).

Our scope and objectives for this audit were designed to assess the overall cash management processes implemented by the Recorder of Deeds to ensure that proper controls are in place and all cash collected is properly accounted for and safeguarded.

Please refer to the following audit report for the results of the audit. The audit report contains 6 recommendations. The [Executive Summary](#) provides an overview of the audit including the main areas where recommendations for improvement were identified.

We express our appreciation for the assistance of the Recorder of Deeds' staff extended to our Office during the course of our audit. We have discussed our recommendations with the Recorder of Deeds' staff and would be pleased to discuss our recommendations in greater detail in order to assist the Recorder of Deeds with their implementation of our recommendations.

Respectfully Submitted,

Shelly A. Banks, CPA
Cook County Auditor

cc: Karen Yarbrough, Recorder
Cedric Giles, Chief Deputy Recorder
Carolyn R. Wilhight, Deputy Recorder-Finance
Linda Batchelor, Director of Accounting
William E. Drobitsch, Deputy Recorder



COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR

Recorder of Deeds Cash Management Functions

Internal Audit Report

Report Date: September 2017

Issued By:
Shelly A. Banks, County Auditor

Audit Conducted By:
William Carroll, Audit Supervisor
Maria Orozco, Field Auditor IV

EXECUTIVE SUMMARY

The Office of the County Auditor (OCA) has completed an audit of the Office of the Cook County Recorder of Deeds (CCRD) cash management process. The scope and objectives of the audit were designed to assess the overall cash management processes implemented by the CCRD to ensure that proper controls are in place and all cash collected is properly accounted for and safeguarded.

As a result of our audit, we presented recommendations to management, which will strengthen the overall internal control structure over the cash handling process in the CCRD. The recommendations presented were the following:

- Develop procedures to clearly define the step by step processes and responsibilities on how cash should be handled. ([Recommendation #1](#))
- Provide support for the amount of cash maintained in the office to ensure the opportunity for loss and/or misuse is reduced. ([Recommendation #2](#))
- Strengthen controls over the mail receipt process. ([Recommendation #3](#))
- Establish uniform policies and tracking database for Non-Sufficient Funds (NSFs). ([Recommendation #4](#))
- Improve the highly manual reconciliation process and monitoring activities. ([Recommendation #5](#))
- Review the user ids to clean up active access rights and establish a schedule for a periodic review of user access rights and establish written policies and procedures. ([Recommendation #6](#))

The recommendations noted were presented to the CCRD management. Please refer to the [Recommendations](#) section for more detail on the recommendations with the management responses, corrective action plans and estimated completion dates.

BACKGROUND

The Office of the Cook County Recorder of Deeds (CCRD) mission statement states that the CCRD accurately records, stores and maintains land records and other official documents in perpetuity for public and private use, facilitating home ownership and mortgage lending. The CCRD offers four locations including the downtown Chicago office and three additional satellite locations.

The CCRD acts as the custodian and manager of various public records filed in Cook County. Mandates and activities include the following:

- Operates pursuant to Illinois State Statute 55ILCS 5/3-5001.
- Records documents, collects fees, creates a property index database with a historical perspective, and implements new legislation.
- Images every document and maintains it in an electronic format and makes them available, at an authorized cost, to public and private entities.
- Collects Transfer Stamp fees and remits to the County and State accordingly.
- Works with law enforcement and victims of property fraud pursuant to Public Act 98-99.
- Safeguards DD-214 military discharge records and protects them from public view.
- Operates four full service satellite offices across Cook County.
- Collects Transfer Stamp fees and remit to the County and State accordingly.

- Extracts relevant data from recorded documents for computer-searchable property index database that makes public records easy to find and use.
- Converts older records from unstable microfilm to digitized images for preservation.
- Ensures network access to the Recorder's database for county departments requesting private access.
- Maintains an online records database that allows remote access and purchasing.
- Offers a free Property Fraud Alert program to allow property owners to register their property to receive a phone call or email alert whenever a document is recorded reflecting property activity.
- Maintains a Veteran's Service Office (VSO) as a statutorily sanctioned repository for DD-214 discharge records for which Veterans can record this document for free and receive a free certified copy.
- Veterans discount card program which can be utilized at various Cook County merchants and retailers for goods and services, or other appropriate promotions at their discretion.

AUDIT SCOPE AND OBJECTIVES

The scope and objectives of this audit were designed to assess the overall cash management processes implemented by the CCRD to ensure that proper controls are in place and all cash collected is properly accounted for and safeguarded. Our audit consisted of an evaluation of the policies and procedures used by the CCRD related to the collection, receipting, recording, depositing, and safeguarding of funds.

The audit objectives were primarily to determine the following:

- Policies and procedures exist over all cash management functions and are adhered to by staff.
- Preventive controls in the mailroom are sufficient to ensure that all funds received through the mail are properly accounted for and adequately safeguarded.
- Funds received through the cashiering process at both the main office and the satellite offices are properly accounted for and adequately safeguarded.
- Segregation of duties exists over the collection, receipt, deposit, and reconciliation of cash.
- Cash is adequately safeguarded against misappropriation, misuse, loss, and theft.
- Bank reconciliations are completed, reviewed and approved in a timely manner and all reconciling items are supported.

The following procedures were performed to assess the objectives regarding the CCRD cash management functions:

- Reviewed policies and procedures for the cash handling process to verify that documentation thoroughly outlines key business processes.
- In the mailroom, physically observed and interviewed staff to ensure that preventive controls are in place and all funds are properly accounted for and safeguarded against misappropriation, misuse, loss and theft.
- Traced and verified cash transactions through the collection, receipt, deposit, reconciliation and safeguarding processes.
- Through observation, verified that segregation of duties exists for the collection, receipt, deposit and reconciliation of cash.
- Reviewed account reconciliations verifying that cash collected was properly reconciled and recorded to the general ledger.

RECOMMENDATIONS

Recommendation #1:

At the Markham satellite location, the daily deposit prepared for pickup was not immediately sealed in the deposit bag. The deposit remains unsealed in the supervisor's office until the armored car service arrives for pick up at which time the bag is sealed prior to being sent to the downtown office. The reason stated was in order to allow for employees to access the deposit to make change if needed.

While draft procedures have been developed for the handling of cash in the satellite locations, we recommend that the CCRD develop specific procedures to clearly define the step by step processes and responsibilities on the handling of cash. The procedures should require that the bag with daily deposit be immediately sealed upon completion. Any change needed for the day's operations should be provided before the completion of the deposit and should be handled by the supervisor only.

Management Response

The Director of Satellites assured us that the Markham Supervisor seals the Dunbar money bags upon completion of the balancing process. The only bag that remains open, until the armored car service pick up, is the accounting detail report bag in which the prior daily balancing reports are prepared for delivery to the downtown Accounting office. No funds are placed in the respective accounting report bag.

However, CCRD agrees detailed step by step procedures for preparing the deposit bag for pick up should be enhanced and added to the Satellite's operational manual by November 30, 2017. In addition, our Accounting team will make visits to our Satellite locations to ensure that the required cash handling processes are being properly followed.

Estimated Completion Date

Visits will occur between October 1, 2017 and October 31, 2017.

Completion of documented cash handling procedures will be completed by November 30, 2017

Recommendation #2:

The safe in the downtown office contains \$3,000 in cash. The \$3,000 is for the daily distribution of the cashier's banks and to make change when needed. Per the cashiering supervisor, she distributes up to 14 cashier banks in a day with each bank at \$50 for a total of \$700 distributed with a \$2,300 remaining balance to utilize for change.

CCRD was not able to provide the FY'16-FY'17 number of transactions processed, but based on our review of six days of transactions, the majority of the transactions were by check or credit card with an average amount of \$35 provided in change for a day. With the majority of transactions occurring by check or credit card and a low amount of change provided, maintaining \$3,000 in cash is excessive and leads to opportunities for loss and/or misuse.

We recommend that the CCRD utilize the armored car service to set up the daily cashier banks at \$50. If a higher dollar cashier bank is needed, CCRD should pull the data from the cashiering system to analyze the change provided on a daily basis to support this need. Eliminating the cash maintained in the office will reduce the opportunity for loss and/or misuse.

Management Response

CCRD agrees with the recommendation presented by Office of the County Auditor to reduce the dollar amount on hand to \$2000.00. Unfortunately our cashiering system is a legacy system and cannot provide detail on the full number of transactions for the year requiring change. However, we will rely on the

expertise of our Cashiering Supervisor, with over 10 years of experience, to continue to monitor the need for change and note any trends. We currently employ the currency service of an Armored Car Service to provide \$1000.000 in smaller bills once a week to eliminate the need for supervisor change 'bank runs'.

This process has worked very efficiently and has alleviated the office of any safety concerns for our Supervisor carrying large sums of cash to the bank for change. We have found that to implement an Armored Car service to prepare the cashier banks at \$50 for distribution on a daily basis can be very costly. Thus, the Cashier Supervisor will continue to prepare, distribute and track cashier bank distributions to reduce any additional bank service fees.

The cash is secure as it is maintained in a locked secure safe on a daily basis. There are a limited number of persons with the combination to the safe. The physical location of the safe is in the Supervisor's office away from the public and cashier team. In addition, we have Security in the area that will prevent potential theft. These preventive controls reduce the potential for theft.

Estimated Completion Date

CCRD will reduce the amount of cash on hand effective November 30, 2017. We will begin the fiscal year with a new process of tracking and monitoring the need for change.

Recommendation #3:

Mail received is not handled in the most effective and efficient manner to ensure checks and documents are secure and transactions are processed timely. In December 2016, there were multiple bins dating back six weeks. Maintaining uncashed checks and potentially confidential documents for several weeks in bins with no record can lead to items being misplaced or stolen.

When mail is received it is opened, placed in a bin by date and maintained in a room unlocked during the day. There is no logging of the documents that were received and the checks are not immediately endorsed for deposit only. Without logging the documents and endorsing the checks, there is no accountability for items received in the mail to ensure documents and checks are processed timely and are not lost or stolen. When a call is received regarding a document, staff will have to search through the bins to locate the item to respond to the customer; whereas, if an electronic log was in place staff could pull up the log to reference the item.

We recommend that CCRD implement the following controls over the mail receipt process:

- Create an electronic log to document the mail immediately upon receipt.
- Set the log up to be accessible by staff needing to respond to customer inquiries.
- Use selection fields in the log to reduce data entry time, i.e. staff names, types of documents, payment types.
- Update the log when documents are picked up for processing with the date picked up and the staff person assigned.
- Immediately endorse checks for deposit only when mail is opened.
- Monitor the log activity with staff reallocated as needed to prevent backlogs.
- Set up a lockbox service to reduce risks involved with receiving personal checks in the mail.

Management Response

CCRD accepts the recommendations suggested by the Office of the County Auditor as we are in the process of enhancing our current mailroom operations. Our mail area has been in transition due to the layoff of staff in December, 2016 and the retirement of the Mail Room Supervisor which required CCRD to realign its processes.

In order to better process mail, we have deployed a new postal machine which allows us to track both incoming and outgoing mail. In addition, we are piloting several procedural changes to determine which provides the greater operational efficiencies and economies of scale, yet meet our customer demand. We will be implementing the electronic tracking mechanism utilizing set fields for logging mail information.

Documents once received go through three stages once opened prior to the recording process (i.e. opening, prepping, and document review). The document review function is performed outside of the mailroom. In addition, the checks are automatically endorsed by the recording cashier upon processing. Thus, the mail room will not endorse the checks for deposit until they are issued to a cashier for processing as the documents could be rejected.

Estimated Completion Date

CCRD believes that our mailroom changes that best fit the operations overall will be fully established and implemented by November 30, 2017 once fully vetted and validated. In the interim, we will establish a secure room to house all incoming (unopened and opened) mail pending processing by September 30, 2017.

Recommendation #4

There is no formal cumulative tracking log for Non-Sufficient Funds (NSFs) and a policy is not uniformly applied. CCRD maintains a spreadsheet on the current NSF's with the customer information, date returned, amount received and service charge amount. The spreadsheet is not cumulative and does not track all NSF activity to determine the total amount of losses, penalties, outstanding amounts, write offs, etc. In addition, if NSF checks are not paid or if penalties are not paid, the amounts are written off. On the December spreadsheet, the customers did not pay the penalty and it was explained that if the customer pays the amount due that is accepted without the penalty. Arbitrarily not requiring payments and penalties is an unfair practice to customers.

We recommend that CCRD establish the following controls over the NSF process:

- Set up a tracking database to track key data.
- Update database with NSF data and status.
- Maintain the history of the NSF's by not deleting from the database.
- Develop a standard policy for write offs.
- Develop a standard policy for penalty requirements.
- Update written procedures on tracking NSF's.
- Uniformly apply NSF policies and track any exceptions with justification.

Management Response

CCRD accepts the recommendations suggested by the Office of the County Auditor. Currently, the volume of returned checks is very low based on our monthly collection revenue of \$4.5M.

On average, 4 checks per month may be returned with an estimated average dollar range of \$52.00 to \$300.00 across two (3) bank accounts. The majority of checks returned are from individual customers making one time recordings. However, on rare occasions, our standing title companies may release a "bad" check. Usually they recognize the error and will contact the Accounting office prior to the check being returned by the bank. In such instances, they will promptly supply us with a replacement check. In good faith, we will waive the returned check fee. Thus, a very detailed NSF tracking log was not utilized. Our overall past practice has included the following:

- When a check has been returned from the bank we charge a penalty of \$25.00 per check. This fee is added to the amount of the outstanding fee. When a customer does not pay the \$25.00 penalty, we allow with exception.

- Currently, we update all NSF customers in our NSF Tracking Report for distribution to cashiers each on a monthly basis. If the outstanding check(s) are received and the customer does not have a return check pattern, a memo is issued to the Cashier Supervisor as an addendum to the monthly list.
- The NSF file is maintained on the accounting department server with daily backups. At no time are files deleted from the server.

We do have the NSF process documented in our standard operations procedure manual. However, we will enhance the manual to include the following:

- Enhanced NSF tracking database inclusive of specific check detail including penalty/no penalty and justifications.
- We will develop our write off policy and penalty requirements.

Estimated Completion Date

CCRD plans to have the above stated controls and enhancements in place by October 31, 2017.

Recommendation #5

The process for accounting for transactions is highly manual. There is no interface between the cashiering system and the accounting system; the daily reconciliation process consists of handwritten forms and calculations; and data is manually entered into the accounting system from spreadsheets prepared from handwritten forms. The current processes are time consuming and can lead to undetected errors. In addition, there are no established monitoring reports to monitor overall activity and to identify errors, potential fraud and misuse.

The CCRD stated that they are in the process of implementing a new cashiering system with an interface to the County's ERP System.

We recommend that CCRD ensure the new cashiering system is set up with the following controls to improve the process:

- Develop interface to the County's ERP System.
- Establish key reports that can be utilized in the reconciliation process without the need for manual handwritten forms.
- Establish a schedule to periodically monitor activity through running reports to analyze the data for evaluating the processing capacity, the level of activity occurring, staff productivity, and possible deviations that could indicate major concerns.

Management Response

CCRD is highly aware of the manual processes implemented in accounting for the tracking and monitoring of our revenue. Unfortunately the current system is very antiquated and needs updating. Our internal technology team along with our project management consultants and BOT are fully aware and are collaborating to determine what is best that will meet our needs in conjunction with the new core application as an interface to connect with the County's ERP system.

Estimated Completion Date

ECD is contingent upon completion of core application system.

Recommendation #6

Controls over the Cashier Management System user access rights need to be strengthened.

The user access reports from the Cashier Management System showed the following results:

- 201 user ids
- 136 active users on User Listing Report/ 191 active on User/Department Access Listing Report
- 17 employees with active multiple ids
- 23 generic active ids
- 92 active user ids for employees either no longer employed, on leave, or not employed by CCRD
- 15 active user ids for employees that could not be verified
- 41 active user ids with supervisor access code
- 20 active user ids with supervisor access code and no longer employed

The results from the reports indicate a lack of controls over access to the Cashier Management System, which could lead to improper actions in the system.

We recommend that CCRD implement the following controls over user access rights:

- Review the user ids and make the following changes:
 - Deactivate generic ids since cannot be tracked to a specific user.
 - Deactivate multiple user ids for the same user.
 - Deactivate ids for employees no longer employed.
 - Review the inconsistencies between access rights on the system reports.
 - Limit access rights and supervisor codes based on employee job duties.
- Establish a periodic review process of user access rights to ensure ids are assigned to a specific employee; only one id per employee; employee is active; employee has work responsibilities that justify the access rights assigned; and supervisor approval is documented for assigning or removing employee access rights.
- Establish written policies and procedures for assigning and maintaining user access rights.

Management Response

CCRD will implement periodic reviews of our user access and deactivate any users that are no longer with the agency, where applicable. In some instances, the access should not be deactivated as it will not allow retrieval of transactions. For users with two ids, the ids are needed to perform two different functions in the system (.e.g. cashier efficiency results when they can perform recording and stamp purchases simultaneous). We will enhance our policies and procedures for assigning, maintaining, and monitoring user access rights.

Estimated Completion Date

CCRD will implement periodic reviews of our user access beginning December, 2017 and perform such reviews on a semiannual basis per calendar year (i.e. June and December).