

March 18, 2002

Mr. Bob Sevier
Clay County Recorder of Deeds
Liberty, MO 64068

I have audited the accompanying schedules of financial activity of the Recorder of Deeds office as of and for the year ended December 31, 2001. These schedules are the responsibility of the Recorder of Deeds. My responsibility is to express an opinion on these schedules based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accompanying schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. I believe that my audit provides a reasonable basis for our opinion.

In my opinion, the schedules referred to above present fairly, in all material respects, the financial activity of the Recorder of Deeds office for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the schedules taken as a whole. The schedules are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of Clay County government.

Accomplishments of Recorder of Deeds

Since 1/1/99, the Recorder of Deeds office has improved many functions, procedures and systems. Below is a summary of these items.

- Conversion from DOS to Windows software. Allowing communication with county network, as the county network is also windows based.
- Elimination of contract with Lason, resulting in savings of \$4300.00 per month to the Recorders Preservation Fund.
- Reduction in work force of one deputy by layoff, even though work volume increased by 35% from 2000 to 2001.
- Reduction in county budget line item 301 for General Supplies by over 11% each year, beginning 2000, 2001 and 2002.
- Elimination of county budget line item 224 for Contractual Service Agreement, 2001 budget amount was \$1,125.00
- New Microsoft software for Real Estate and Marriage Licenses, which has allowed office to become totally typewriter free.
- State of the art hardware, including monitors, printers and scanners.
- Introduction of optical scanning with TIF images, being the first office in Clay County to use optical scanning.
- Backup by archival writer microfilm of disc images.
- Remodeling of office
 - Painting
 - Carpet
 - Modular furniture
 - User-friendly layout designed for abstractor and genealogists.
- Reorganization of office
 - Streamlining office procedures
 - Recording, scanning, marriage licenses
 - Cross training
- Pay grades, salaries, expertise and qualifications have increased.
- First office to request and receive a complete audit in 27 years by a Clay County Auditor who was a CPA.

EXECUTIVE SUMMARY

Procedures Performed by County Auditor

The audit encompassed the procedures cited below.

- ✓ Reviewed applicable Missouri Revised Statutes
- ✓ Conducted interviews with Recorder of Deeds personnel
- ✓ Developed an understanding of the key functional processes with the Recorder of Deeds office
- ✓ Observed internal controls
- ✓ Tested internal controls
- ✓ Tested the accuracy of revenue schedules
- ✓ Identified requirements of the Recorder of Deeds found in Missouri Revised Statutes and discuss current practices
- ✓ Prepared a report and reviewed it with the Recorder of Deeds
- ✓ Issued a final report and distribute accordingly

The following section relates to financial and operational issues resident in the Recorder of Deeds office.

Financial and Operational Issues

This section addresses items that may need to be further reviewed by the Recorder of Deeds. Many of the issues relate to functional processes and other areas.

Automation

1999 Audit Finding #1 –The Recorder of Deeds uses Microfilm technology to preserve documents.

Current Status – The Recorder of Deeds is now using scanning technology for preservation of documents and 16mm microfilm as back-up technology.

1999 Finding #2 - The Recorder of Deeds uses an outdated, yet useful, computer system provided by an external consulting firm.

Current Status –The Recorder of Deeds is utilizing the County's computer system.

1999 Finding #3 – The Recorder of Deeds uses a manual ledger to track daily and monthly receipts.

Current Status – The manual ledger has been replaced by an Excel spreadsheet programmed to calculate Recording Fees and User Fees.

2001 Finding #1 – The Recorder of Deeds has installed a backup server to protect important documents and transactions. This is an appropriate use of technology and should assure the safeguarding of documents in an electronic sense.

Recorder of Deeds Response – Agree with above findings.

Customer Service

1999 Finding #1 – There is no posting of fees to be charged to customers.

Current Status – There is a posted fee schedule at the recording desk and in the marriage license office.

1999 Finding #2 – There is no Receptionist to handle customer inquiries.

Current Status – There is no Deputy Recorder specifically assigned to Receptionist duties but 5 Deputies are visible at all times and available to handle customer inquiries.

Document Security

1999 Finding #1 – There appears to be weak Security over documents that have been archived, stored or filed.

Current Status – Documents that have been scanned are available to non-employees through access to 4 computer terminals in the Recorder of Deeds office. Any document that has not been scanned must be obtained from a Deputy Recorder.

1999 Finding #2- There is no safety system that would prevent destruction of documents due to a fire.

Current Status – There is no safety system such as a Halon system or sprinkling system, but each document is electronically backed-up and kept in a fire-safe. The lack of manual ledgers reduces the risk of destruction by fire. Replacing the gate that closes the office with a glass wall has been discussed and will be implemented as budget allows.

1999 Finding #3 – There appears to be very weak Security over documents that have been recorded but not archived, stored or filed.

Current Status – Non-employees do not have access to documents. The title companies have removed their copy machines and only a Deputy Recorder handles the document.

Financial Matters

1999 Finding #1 – The controls over making copies of microfilm pages conducted by title companies are moderately weak.

Current Status – A Deputy Recorder must assist in making copies, calculating cost and collecting the money.

1999 Finding #2 – In examining the 1998 deposits made into the Recorder's Fund pertaining to charges for duplicates made in the microfilming process, the deposits for two title companies and Lexus Nexus are treated differently.

Current Status – All monies go into the Recorders Preservation Fund.

1999 Finding #3 – In examining the payroll for the Recorder of Deed’s employees, it appears that salary grades have not changed at all over recent years

Current Status – The pay grades of all the Deputy Recorder’s have been updated and a restructuring has taken place.

Space Utilization

1999 Finding #1 – A copy machine owned by and to be used only by two title companies who build “plant” or copy all documents recorded so that they can “resale” information exists in the cramped Recorders office space.

Current Status – All copy machines belonging to title companies have been removed.

Auditor Understanding

The Recorder of Deeds office performs duties prescribed by the Missouri Revised Statutes. The Recorder of Deeds office acts as a Fee Agent in performing these duties and collects prescribed fees per the Missouri Revised Statutes. The primary purpose of the Recorder of Deeds office is to record official documents and perform record retention and distribution duties as shown below.

- Record various Documents including:
 - Deeds
 - Uniform Commercial Code Financing Statements
 1. Continuations
 2. Assignments
 3. Releases
 4. Amendments
 5. Terminations
 6. Search Requests (Terminations & Search Requests on UCC.)
 - Plats or Surveys
 - Mortgages
 - Deeds of Trust
 - Assignments
 - Covenants
 - Defeasances
 - Conveyances (Warranty & Quit Claim Deeds)
 - Officer Commissions & Bonds
 - Discharges from armed forces
- Issue Marriage Licenses
- Book and Page Documents for reference purposes
- Make Copies of Documents for Public & Assessor's Office
- Microfiche records for future use
- Enter Data from Documents into the computer system
- File microfiche cards
- File UCC for Chattel (Terminations & Requests Only)

Recording Documents

The process for recording a document, collecting fees and the preservation of the document begins when a customer requests a document to be recorded. Various personnel in the Recorder of Deeds office perform the following steps to record a document.

- Review document for grantor, grantee, date, time of day, signatures, notary and legal descriptions.
- Assign a document number on deed and determine pricing of document. The document number is a control number to be used for reference or research purposes. Pricing is as follows; each user is charged a \$16.25 user fee plus \$6.75 for the first page and \$3 for each additional page.
- Book and page each document and take any copies of transfers to send to the Assessor's office on a daily basis.
- Perform data entry in to Recorder of Deed's computer system. The data to be entered into the system include:
 - ✓ Grantor/Grantee
 - ✓ Date & Time of Document
 - ✓ Type of Document
 - ✓ Number of pages
 - ✓ Legal Description
 - ✓ Distribution of the document
- Optical scan all documents on a daily basis.
- After scanned, documents are compared with data entry and mailed back to user.

Recording Marriage Licenses

The Marriage License Deputy handles all aspects of this area. The process is generally as follows.

1. Complete the marriage license application from interested parties
2. Issue marriage license
3. Record marriage license

The Marriage License Application Process

The *marriage license application* is a form provided by the State of Missouri. When a couple meets with the marriage license (ML) deputy, a marriage license application is completed by the deputy. A control number is assigned to each application. This number is later placed on the actual ML certificate. Information on the marriage license application includes; the name, address and age of both applicants along with their social security numbers. The deputy for authentication purposes verifies each Social Security number. One note of interest, if one or both applicants have been married before, they do not have to provide a copy of the divorce decree. However, the applicants provide the date the last marriage ended.

Once the ML application has been completed, the application is retained by the deputy while waiting for the license to be returned so it may be recorded. A \$40 license fee and a \$10 user fee are charged to the party. The deputy collects these fees and at the end of the business day, turns the money over to the Deputy bookkeeper.

Issuance of the Marriage License

After a three-day waiting period, the ML Deputy *issues* the actual marriage license. Information on the marriage license includes the applicants' names, age, city and county of residence and state. The ML deputy types in the date of issue on both the application and license and then signs the ML. Once the minister or judge has signed the license, it is mailed back to the deputy.

Recording the Marriage License

The deputy records each license that has been issued from Recorder location including in the courthouse in Liberty. The deputy records information on back of license. The deputy enters this information into the computer system and makes a copy of the application to be sent to the State. Licenses and applications are scanned for permanent record.

The ML deputy then mails each license back to the couple.

Each month, the ML deputy must prepare a report to be sent the State Bureau of Vital Records. This report includes all copies of all applications, including the voided applications for that month and a tally sheet showing the number of licenses issued and voided from the Liberty old courthouse. This report is due by the 15th of the month. All applications are stored in a file cabinet and kept for two years. After that time the applications are shredded. By scanning each application and license, shredding of the application is allowed by the State.

Recording UCC Financing Statements

The chief responsibility of the Deputy Recorder of Chattel is to record Uniform Commercial Code (UCC) Terminations and Request. All items are time and date stamped. Other items related to the UCC statements that are recorded include the following.

Terminations – A UCC statement has been completed or paid in full and is removed from the UCC file. The control number remains the same for terminated items except a “t” is placed in front of the number.

Search Requests – Entities can request a search of information. A new control number is prepared and is 4 digits in length. Search requests are put in the ledger. Clients are billed for added charges.

UCC Fee Schedule

Additional Pages (Copy cost)	\$ 1
Terminations	\$ 6
Searches (over 10 copies = \$.50 per page)	\$14

The Deputy prepares a daily report summarizing activity and fees collected.

Accounting for Fees

For every deed or instrument the Recorder of Deeds charges a fee for the first page, and a fee for additional pages. The first fee of \$23 is broken down into the following fees: \$6.75 Recording fee, \$6 County Employment Retirement Fund (CERF), \$3 Homeless Fund, \$2 State fee, \$2 Statutory County Fund, \$1.25 Recorders Technology Fund and \$2 Recorder's User fee.

When the Recorder's office receives monies, a pre-numbered triplicate receipt is prepared. The white copy is given to the customer, the pink copy is retained in the receipts and the yellow copy is attached to the Daily Report. The Recorder receives checks and cash from title companies and citizens. During the day, the receipted money is kept in a secured desk drawer.

At the end of the day, the money is locked in a fire proof safe in the Recorder's office. The next morning, the money is removed, counted and compared against the attached receipts and recorded in the Daily Summary Ledger and then, a Daily Cash Report is prepared.

The Daily Cash Report indicates the money received during the prior business day and the breakdown of where the funds are to be disbursed. The funds to be sent to the County Treasurer are segregated from the total money collections and are sent to the Treasurer along with an explanation of where to disburse the funds.

The Daily Cash Report is sent with the corresponding yellow receipt slips to the Auditor's office. After completion of the Daily Cash Report, a Daily Summary Ledger is prepared which summarizes daily receipts and totals the daily activity to arrive at a monthly total. At the end of the year, an Annual Cash Report is prepared from the monthly data found in the Daily Summary Ledger.

Funds to be disbursed to the State or to be retained for use by Recorder of Deeds are deposited daily into an interest bearing account in UMB by the Treasurer's office.

Disbursements to the State – Homeless Fund and for office supplies and expenses are made by check. A check request is prepared and signed by the Recorder of Deeds, then given to the Treasurer's office, they then cut a check and return the check to the Recorder's office.

Exhibit One

The following pages contain revenue schedules indicating 2001 activity in the Recorder of Deed's office.

Recorder of Deeds
Audit Report - 2001

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