



OFFICE OF INTERNAL AUDIT

REPORT TO THE COUNTY RECORDER

Pinal County Recorder's Office

Safeguarding Information

Lori Stripling, Internal Audit Officer
Bill D'Elia, Senior Internal Auditor

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Executive Summary

The Pinal County Recorder's Office is responsible for recording land related and other documents. While most information recorded by the Office is available to the general public, certain sensitive information including military records, social security numbers, financial information on personal checks, and other information directed by a court must be protected from misuse and release to the general public. The Department has an office located at the main county complex in Florence and satellite offices located in Casa Grande and Apache Junction.

This Audit was included in the Office of Internal Audit's FY 09-10 Annual Audit Plan, approved by the Board of Supervisors, primarily because of a recent breach and misuse of information in the Recorder's Office.

The Office of Internal Audit has completed a review of internal controls for safeguarding information at the Pinal County Recorder's Office. Our audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards. The purpose of our audit was to determine if information was adequately secured and controlled.

Our overall conclusion is the Recorder has established an adequate system of internal controls to secure information and prevent the recurrence of conditions that led to the prior misuse of information. We noted, however, there are areas where management and control could be improved, such as:

- Updating and enhancing procedures
- Incorporating minor improvements in cash and check handling

Our specific recommendations for improvements include:

- Updating procedures to reflect current operations
- Consolidating procedures into one comprehensive manual
- Periodically changing safe combinations
- Promptly and restrictively endorsing checks
- Reviewing customer fund balances for dormant accounts

We would like to thank the management and staff of the Pinal County Recorder's Office for their assistance and cooperation during the course of this audit.

The following report provides additional details of our audit observations and recommendations.

Lori Stripling
Pinal County Internal Audit Officer

Background

The Office of Internal Audit has completed a review of internal controls over the safeguarding of information at the Pinal County Recorder's Office. The audit was conducted in accordance with generally accepted government auditing standards and included such tests of internal controls as deemed necessary.

The Pinal County Recorder's Office is responsible for recording land related and other documents. While most information recorded by the Office is available to the general public, certain sensitive information including military records, social security numbers, financial information on personal checks, and other information directed by a court must be protected from misuse and release to the general public. The Department has an office located at the main county complex in Florence and satellite offices located in Casa Grande and Apache Junction.

Scope and Methodology

The purpose of our audit was to determine if information was adequately secured and controlled. Our specific objectives were to determine if:

- Procedures are currently adequate to prevent the misuse of information which had previously occurred.
- Procedures are in place and followed to ensure information is adequately secured.
- Applicable State statutes are followed.
- Checks and other negotiable instruments are properly handled, controlled and secured, and if funds are promptly returned to customers when no longer needed for services.
- Procedures are established to limit access to automated systems.
- Physical access to the Recorder's work areas is sufficiently controlled.
- Procedures are established to ensure recorded information is appropriately backed-up.

To accomplish our objectives, we:

- Interviewed appropriate Pinal County Recorder's Office staff.
- Reviewed the Pinal County Recorder's Budget, policies, procedures and other documents related to the Office's information management.
- Scanned the Pinal County Recorder's Office Web Site for unauthorized information.
- Observed operations at both the main Office and the two satellite offices.

SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

Overall Evaluation

Our overall conclusion is the Recorder's Office has established an adequate system of internal controls, to properly secure information and prevent the recurrence of conditions that led to the prior misuse of information. We noted the following:

- Procedures have been strengthened to prevent the misuse of information.
- Procedures have been established and are followed to ensure information is adequately secured; however, updating of some procedures is needed to reflect current operations and ensure new employees are knowledgeable of state requirements.
- Applicable State statutes are being followed.
- Checks are promptly endorsed when received directly from customers; however, checks received by mail are not promptly endorsed.
- When fees are paid with traveler's checks, current procedures do not prevent refunds of cash to those customers.
- Checks and other negotiable instruments are properly stored in safes prior to deposit, but procedures have not been established to ensure safe combinations are occasionally changed.
- Funds in customer accounts are returned to customers when requested, but current procedures do not include a periodic review of customer accounts for inactivity and the return of funds, when appropriate.
- Procedures are established to limit access to automated systems.
- Physical access to the Office's work areas is adequately limited.
- Procedures are established to ensure recorded information is properly backed-up.

Details of conditions needing improvement are discussed in the audit results section below.

Audit Results

A. Procedures

Procedures need updating and could be enhanced.

- Procedures are outdated and do not always reflect current operations. For example:
 - They refer to the recording of fees in the AS-400 system, which was recently replaced by the On-Base system
 - They refer to operations of the Microfilming Department, which no longer exists due to technology updates
- Access and adherence to established procedures would be improved if they were consolidated into one manual, rather than located in numerous, individual interrelated procedures. A consolidated policy manual would also enhance new employee training.

- Procedures do not address requirements to comply with state statutes restricting the release of certain information, such as social security numbers and military service records. It was noted all current employees are aware of these statutes, and we did not find any unauthorized information available to the public. However, including key statute information in the Office policies and procedures will help enhance compliance, especially at a time of employee turnover.

Updated procedures will help ensure information is properly managed and secured, and will facilitate the training of new employees.

Recommendations:

1. *The Recorder should update existing policies and procedures to reflect current operations.*
2. *The Recorder should consolidate Office policies and procedures into one comprehensive manual to facilitate staff's knowledge and compliance, and assist in new employee training.*
3. *The Recorder should include in the revised procedures a requirement for safeguarding sensitive information.*

B. Cash and Check Handling

Cash and check handling could be improved.

- Written procedures properly restrict the return of cash when customers use traveler's checks for payment of fees, but allow it when the customer demands it.
- Cash and Checks are properly stored in safes at all three recorder locations, but no policy or procedures are established to require periodic change of safe combinations.
- Checks are immediately and restrictively endorsed when customers pay in person, but are not promptly endorsed when received by mail. Staff stated the reason for this is checks are sometimes returned to the customers if the amount is insufficient or if the document can not otherwise be recorded. Promptly endorsing checks, however, ensures they will not be cashed by unauthorized persons, and in the event a check subsequently needs to be returned to a customer, it can be marked void to prevent any question about whether the check was cashed.
- Current procedures properly require that dormant account balances or overpayments are returned to customers upon request, but there are no procedures requiring periodic reviews of accounts to determine if they should be refunded.

Enhancing financial procedures will provide better assurance that cash and checks are properly controlled and recorded.

Recommendations:

4. *The Recorder should revise the current policy allowing cash refunds to customers who have paid with traveler's checks, and require that a check is processed for any refunds due.*
5. *The Recorder should establish procedures requiring that safe combinations are changed at six month intervals, or when a combination holder either leaves or no longer needs safe access.*
6. *The Recorder should require that checks received by mail are promptly and restrictively endorsed. If there is a need for the check to be subsequently returned to the customer, it should be promptly marked void.*
7. *The Recorder should establish procedures requiring the completion of an annual review of customer accounts and ensure the funds in dormant accounts are returned to the customers.*

Attachment:

Management Response and Action Plan

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
1. <i>The Recorder should update existing policies and procedures to reflect current operations.</i>	Yes	This project is already in progress	7/01/2010	Laura Dean-Lytle and/or Barbara Kelly Via our designee.
2. <i>The Recorder should consolidate Office policies and procedures into one comprehensive manual to facilitate staff's knowledge and compliance, and assist in new employee training.</i>	Yes	This will occur once we have all of the P&P's updated	7/01/2010	Barbara Kelly
3. <i>The Recorder should include in the revised procedures a requirement for safeguarding sensitive information.</i>	Yes	This will be included in the P&P's.	7/01/2010	Barbara Kelly
4. <i>The Recorder should revise the current policy allowing cash refunds to customers who have paid with traveler's checks, and require that a check is processed for any refunds due.</i>	Yes	The procedure for cashier's checks will be aligned with our cash process regarding the maximum size of payment amount we will accept in a cashier's check or cash.	7/01/2010	Barbara Kelly

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
5. <i>The Recorder should establish procedures requiring that safe combinations are changed at six month intervals, or when a combination holder either leaves or no longer needs safe access.</i>	Yes	The Administrative Secretary is working on a procedure to ensure this handled as suggested	7/01/2010	Laura Dean-Lytle or Barbara Kelly via our designee (Administrative Secretary).
6. <i>The Recorder should require that checks received by mail are promptly and restrictively endorsed. If there is a need for the check to be subsequently returned to the customer, it should be promptly marked void.</i>	Yes	Checks are now stamped with our endorsement for deposit in a much more prompt manner. Returned checks will be stamped void.	4/01/2010	Laura Dean-Lytle or Barbara Kelly via our staff designees.
7. <i>The Recorder should establish procedures requiring the completion of an annual review of customer accounts and ensure the funds in dormant accounts are returned to the customers.</i>	Yes	This will be included in our P&P's and will occur approximately May 1st annually.	5/01/2010	Laura Dean-Lytle or Barbara Kelly via our designee (Bookkeeper)