



**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER**

OFFICE OF INTEGRITY AND OVERSIGHT

November 2009

**FINAL REPORT ON REVIEW OF CFT's CASHIERING
OPERATIONS AND RELATED ACTIVITIES OF ROD FOR THE
PERIOD OCTOBER 1, 2007 - SEPTEMBER 30, 2008**

THIS IS THE FINAL REPORT INCLUDING AGENCY'S RESPONSE

**THIS REPORT IS AN INTERNAL DOCUMENT FOR OFFICIAL PURPOSES ONLY AND MAY NOT BE
RELEASED WITHOUT THE PRIOR WRITTEN APPROVAL OF THE CHIEF FINANCIAL OFFICER**

FOR OFFICIAL USE ONLY

OIO: IA:OFT:2904-C06

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Office of Integrity and Oversight

MEMORANDUM

TO: Stephen M. Cordi, Deputy Chief Financial Officer
Office of Tax and Revenue

Lasana Mack, Deputy CFO and Treasurer
Office of Finance and Treasury

Larry J. Todd, Director, Recorder of Deeds
Office of Tax and Revenue

FROM: Mohamad K. Yusuff, Interim Executive Director
Office of Integrity and Oversight

DATE: December 8, 2009

SUBJECT: Final Report on Review of OFT's Cashiering Operations and Related Activities of the Recorder of Deeds (ROD) for the Period October 1, 2007 through September 30, 2008 (Report No.: IA:OFT:2904-C06).

Attached for your information and record is the final report on the review of the Office of Finance and Treasury's (OFT) Cashiering Operations and Related Activities of the Recorder of Deeds (ROD), for the period October 1, 2007 through September 30, 2008, prepared by the internal auditors of the Office of Integrity and Oversight.

The purpose of this review was to conduct a surprise cash count of OFT's cashiering operations, assess the internal controls over cash handling, and review cash accountability and reporting to assure safety and integrity of District cash at the ROD. The audit was conducted at the OFT's cashiering site located in the premises of the ROD at 515 D Street, NW.

OIO's surprise cash count of OFT's cashiering site at the ROD shows that the official cash float of \$500 was fully accounted for and no discrepancies were found.

Our review of OFT's and ROD's operations revealed the following deficiencies:

- 1) *Mailed-In Checks Were Not Deposited Timely.*
- 2) *Problems with Timely Bank Reconciliation*
- 3) *Cash Shortage/Overages Not Reviewed and Monitored Effectively*
- 4) *Lack of Accountability and Controls over Escrow Fund Accounts*
- 5) *Lack of Cohesion between the OFT Cashiers and ROD Examiners Unit*

- 6) *Inadequate Policies and Procedures, Supervisory Oversight and Segregation of Duties over Cashiering Operations.*
- 7) *No Written Policies and Procedures Established for Handling Escrow Funds, E-filing/Credit Card Reconciliation*
- 8) *Cashiers' Systems Generated Report on Daily Total Collections Altered Without Supervisory or Management Approval.*

We made appropriate recommendations to address the deficiencies cited above to strengthen internal controls over cashiering operations and related program activities of the ROD.

In addition, we have attached for management's attention and record a copy of a prior report OIO issued on OFT/ROD operations in July 2003 entitled, "Cash Collection Review at the Office of Finance and Treasury/Recorder of Deeds (IA: OFT: 2306-M14)," which contains many of the same issues noted in the 2009 report; moreover, the "repeat findings" identified in the 2009 report indicate that OIO's earlier recommendations were not fully implemented by the OFT and ROD.

OFT/ROD Management Response

OFT and ROD officials concurred with all the findings and recommendations in the draft report, and indicated that corrective actions have already been initiated in some areas. Copies of the OFT and OTR-ROD official responses are attached to this report in its entirety (Exhibit 11).

OIO's Evaluation

Both the OFT and ROD actions are responsive to the issues we identified in our recommendations, and when fully implemented, should satisfy the intent of our recommendations. We also plan to schedule appropriate follow-up to assess the implementation of our recommendations and OFT's or ROD's corrective actions implemented as stated in their responses.

We appreciate the assistance and cooperation provided us by finance and program officials during this review. Should you have any questions on the report, please do not hesitate to call me, at 442-8240 or Willadene Tolmachoff, at 442-8277.

cc: Natwar M. Gandhi, Chief Financial Officer for the District of Columbia
Lucille Dickinson, Chief of Staff, OCFO
Angell Jacobs, Director of Operations, OCFO
Clarice Wood, Associate Treasurer, OFT
Glenn Groff, Director of Operations, OTR
Ritchie McKeithen, Director RPTA, OTR
Mohamad K. Yusuff, Interim Executive Director, OIO
Nelson Alli, Interim Internal Audit Director, OIO
Willadene Tolmachoff, Audit Manager, OIO

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

TABLE OF CONTENTS

| | |
|--|------|
| Executive Summary | i |
| Introduction and Purpose | 1 |
| Background | 1 |
| Objectives, Scope and Methodology | 1 |
| Results of Review | 2 |
| Findings and Recommendations | 3-13 |
| 1) <i>Mailed-In Checks Were Not Deposited Timely</i> | 3 |
| 2) <i>Problems with Timely Bank Reconciliation</i> | 5 |
| 3) <i>Cash Shortage/Overages Not Reviewed and Monitored Effectively</i> | 6 |
| 4) <i>Lack of Accountability and Controls over Dormant Escrow Fund Accounts</i> | 7 |
| 5) <i>Lack of Cohesion between the OFT Cashiers and ROD Examiners Unit</i> | 9 |
| 6) <i>Inadequate Policies and Procedures, Supervisory Oversight and Segregation of Duties over Cashiering Operations</i> | 10 |
| 7) <i>No Written Policies and Procedures Established for Handling Escrow, and E-filing/Credit Card Reconciliation</i> | 11 |
| 8) <i>Cashiers' Systems Generated Report on Daily Total Collections Altered Without Supervisory or Management Approval</i> | 12 |
| Exhibit I: Memorandum Report – July 28, 2003 (Cash Collection Review at OFT/ROD) | |
| Exhibit II: Office of Finance and Treasury Response Office of Tax and Revenue/Recorder of Deeds Response | |

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

EXECUTIVE SUMMARY

Pursuant to the 2009 annual audit plan and the oversight function of the CFO's Office of Integrity and Oversight (OIO), our internal auditors conducted a review of the Office of Finance and Treasury (OFT) Cashiering Operations and Related Activities of the Office of Tax and Revenue, Recorder of Deeds (ROD), for the fiscal year ended September 30, 2008, except as noted herein.

The purpose of this review was to conduct a surprise cash count of OFT's cashiering operations, assess the internal controls over cash handling, and review cash accountability and reporting of ROD to assure safety and integrity of District assets at the Recorder of Deeds. The audit was conducted at the OFT's cashiering site located on the premises of the ROD at the 515 D Street, NW.

The ROD cashiering function is managed by cashiers under OFT. At this site, OFT provides over-the-counter payment collection, electronic payment collection through the Internet and mail-in check collection services to District taxpayers, Fee payers and Agencies. The daily collection of receipts consists of recording fees, certified copies of documents, recordation tax, transfer tax and surcharge collected by the District government from the public, the federal government and the courts.

In order to meet our objectives, we reviewed the applicable District regulations and laws; we also reviewed and analyzed accounting records and related data recorded in SOAR. In addition, we interviewed officials and staff from the Office of Finance and Treasury (OFT) and from the Recorder of Deeds, an operating unit that essentially functions as a "stand alone" division within OTR.

Results of Our Review

OIO's surprise cash count of OFT's cashiering site at the ROD shows that the official cash float of \$500 was fully accounted for and no discrepancies were found.

Our review of ROD program activities and OFT's Cashiering function revealed several internal control weaknesses at the Recorder of Deeds, including among others: lack of specific written policies and procedures on the cashiering function and their availability to staff; mail-in checks and money orders are not being deposited timely due to an elaborate check-processing procedure, traveling to two operating units before final deposit; poor management over ROD's Escrow Account, lack of policies and procedures and absence of internal controls; and a problem with reconciling bank accounts.

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

Summary of Findings

Here are the summary findings we found during this review:

1. *Mail-In Checks Were Not Deposited Timely:* For the audit period tested, we noted that bank deposits were delayed as much as 6 days. Mail-in checks collected are logged daily and a print-out of the daily total is attached to the documents and forwarded as a batch to the Examiners Unit for processing. At the Examiners Unit, the checks lose their trail because they are co-mingled with other checks collected from the window (walk-ins) and processed together. This procedure makes it difficult to track the logged batch to the bank deposit because they are deposited at different times and in different batches. There are no balancing procedures that will ensure that all batches are processed and deposited at the same time to agree with the system-generated total from the log. The log should play a pivotal role in accounting for all mail-in checks for timely deposit and to identify any missing checks.
2. *Problems with Timely Bank Reconciliation:* Our review disclosed that ROD failed to perform Bank Reconciliation for the past eight (8) months. Our examination of ROD record revealed that Bank deposits, SOAR records and ROD books did not reconcile during this period. ROD's last successful bank reconciliation performed was for the month of August 2008, and subsequent attempts to resolve the issue have not been successful because Landata Systems, Inc. was not responsive, according to the ROD employee responsible for reconciling the accounts.
3. *Cash Shortage/Overages Not Reviewed and Monitored Effectively:* Our review revealed that there are no written policies and procedures on Cash Shortage/Overage in place or issued to the OFT Tellers. As such, cash shortage/overages are not investigated and no administrative actions are taken against repeat offenders.
4. *Lack of Accountability and Controls over Escrow Fund Accounts:* Lack of accountability or tracking resulted in excessive dormant escrow fund accounts with zero balance in Escrow Funds. During the course of our review, we noted that ninety-nine (99) out of the six hundred ninety-one (691) escrow accounts were inactive and carried a zero (\$0.0) balance. The control features on the system would not permit any deletion by the employees except at the request of the ROD management. There is no internal control over the escrow accounts that could make provisions for the elimination of these dormant accounts.
5. *Lack of Cohesion between the OFT Cashiers and ROD Examiners Unit:* During our review, we noted that Treasury-assigned cashiers and ROD Examiners Unit (Examiner) handle the department's cashiering functions. Treasury-assigned cashiers report their daily receipts/collections to the Examiners Supervisor who makes adjustments to the daily "General Ledger Summary" before returning same to the Acting Supervisory Cashier (ASC). This new figure is used by the ASC to complete the bank deposit slips for the day. The difference between the adjustments and the actual collections are reflected in

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

the escrow accounts without a detailed listing of the escrow accounts affected and without management's approval. We found that the ACS is the only person with access to the escrow accounts and authority to distribute refund checks to any account, which exceeds the \$2,000.00 limit set by ROD.

6. *Inadequate Policies and Procedures, Supervisory Oversight and Segregation of Duties over Cashiering Operations:* In our review of administrative and management controls over the cashiering operations, we noted that ROD senior officials are not adequately supervising the work performed by the OFT Cashiering Unit located at the ROD. Currently, the oversight role performed by the Finance office is limited to the weekly draw count by the Acting Supervisory Cashier, recently introduced by OFT to monitor the fund balance and the amount of cash in the vault. We also found that there are no written reports provided to Senior Finance Officials on the activities of the OFT staff at ROD.
7. *No Written Policies and Procedures Established for Handling Escrow Funds and E-filing/Credit Card Reconciliation:* ROD does not have written policies and procedures on cashiering operations, escrow account administration or e-filing bank reconciliations. We were provided a copy of a two-page document titled "Cashiers Processing Requirements for the Recorder of Deeds," which contains the description of the Examiners main functions with less emphasis on cashiering operations for tellers or cashier daily settlement.
8. *Cashiers' Systems Generated Report on Daily Total Collections Altered Without Supervisory or Management Approval:* We noted that alterations of the cashiers' system generating daily total collections are done without supervisory approval, and there is no ROD Operations Manual to enforce such action. The Acting Supervisory Cashier assures that the total collections from the Cashier's Window and the mail-in checks equal the total collection reports generated by the System. If any differences are present, they are resolved before forwarding the information to the Examiner's Office for posting into different ledger accounts as revenue. We noted that the Examiner altered the System generated report for the total receipts for the day to accommodate the difference between revenue and receipts without any management approval.

Recommendations

We presented appropriate recommendations in the respective sections of this report for management's implementation to improve internal controls and operational efficiency and effectiveness.

NOTE: In addition, we attached for management's attention and record a copy of a prior report OIO issued on OFT/ROD's operations in July 2003 entitled, "Cash Collection Review at the Office of Finance and Treasury/Recorder of Deeds (IA:OFT: 2306-M14)," which contained many of the same issues noted in this new draft report; moreover, the "repeat findings" identified in the new report indicate that OIO's earlier recommendations were not fully implemented by OFT and ROD.

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

INTRODUCTION AND PURPOSE

Pursuant to the 2009 annual audit plan and the oversight function of the Office of Integrity and Oversight (OIO) within the Office of the Chief Financial Officer (OCFO), the internal auditors of this office conducted a review of the Office of Finance and Treasury's (OFT) Cashiering Operations and Related Activities at the Recorder of Deeds (ROD), a division within the Office of Tax and Revenue.

The purpose of this review was to conduct a surprise cash count of OFT's cashiering operations, assess the internal controls over cash handling, and review cash accountability and reporting to assure safety and integrity of District assets at the Recorder of Deeds. The audit was conducted at the OFT's cashiering site located on the premises of the ROD at 515 D Street, NW.

BACKGROUND

The ROD cashiering function is managed by cashiers from the Office of Finance and Treasury. At this site, OFT provides over-the-counter payment collection, electronic payment collection through the Internet and mail-in check collection services to District taxpayers, Fee payers and Agencies. This daily collection of receipts consists of recording fees, certified copies of documents, recordation tax, transfer tax and surcharge collected by the District government from the public, the federal government and the courts.

The Recorder of Deeds, an administration in the Office of Tax and Revenue, is the official repository of all land records and general public instruments for the District of Columbia. The office is responsible for the collection of all recordation and transfer taxes, and filing fees on instruments being recorded and maintains these records for public inspection. The Recorder of Deeds collected more than \$333 million and about \$450 million in annual tax revenues respectively for the Fiscal Years 2008 and 2007, with recording fees, recordation taxes, transfer taxes, and economic interest tax making up the bulk of ROD's tax collection. We attribute the sizable variance of \$117 million in ROD's tax collection between FY07 and FY08 to the nation's economic collapse in the real estate market.

At this site, OFT provides over-the-counter payment collection, electronic payment collection thru the Internet and mailed-in checks collection services to District taxpayers, Fee payers and Agencies. This daily collection of receipts consists of Recording Fees, Certified Copies, Recordation Tax, Transfer Tax and Surcharge collected by the District government from the Public, the Federal government and the Courts.

OBJECTIVES, SCOPE AND METHODOLOGY

The specific objectives of the review were to:

- Conduct a surprise cash count of OFT's cashiering unit at ROD;

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

- determine whether cash, check and credit cards from e-filing collections were deposited timely and accurately;
- determine whether the existing internal controls over cash handling and reconciliation process are adequate;
- identify any unusual activities at the ROD cashiering site that is been handled and operated by OFT cashiers;
- identify the type of controls the management have over the escrow accounts, overage and shortage account;
- determine whether cash collections/receipts were properly recorded, classified and reported timely, including whether deposits were reconciled and placed with the banks timely; and
- determine whether adequate safeguards exist over cash collections/receipts to prevent loss, errors and irregularities.

In order to meet our objectives, we reviewed the applicable District regulations and laws; we also reviewed and analyzed accounting records and related data recorded in SOAR. In addition, we interviewed officials and staff from the Office of Finance and Treasury (OFT), and Recorder of Deeds unit at OTR. We also evaluated policies and procedures pertaining to cash shortages/overages to determine whether noted incidences were reported and investigated timely.

We reviewed cash handling operations, performed an assessment of the cashiering stations, and evaluated the internal controls. We also reviewed the escrow accounts and the shortages and overages account for any abnormality. We interviewed staffs to understand their procedures for securing and depositing Mailed-In checks, e-filing credit card revenues collected; and reviewed current cash policies and procedures. We tested and reviewed the bank reconciliation performed by ROD to ascertain that the collections from e-filing agreed with the sweep to the bank by Landata Systems, Inc., and also to SOAR/general fund.

Our review scope covered cashiering operations and related ROD's program activities for the period October 1, 2007 through September 30, 2008, except as noted herein.

We conducted this review 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

RESULTS OF OUR REVIEW

OIO's surprise cash count of OFT's cashiering site at the ROD show that the official cash float of \$500 was fully accounted for and no discrepancies were found.

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

Based on our testwork performed, we noted several internal controls weaknesses in ROD's activities and OFT's cashiering operations at the Recorder of Deeds, such as "mailed-in" checks and money orders are not deposited timely. These problems occurred because the mailed-in checks stop at two Units for processing before getting to the cashiering Unit for deposit. In addition, we noted that there are inadequate supervisory oversights of the work flow at ROD; there are no specific written policies and procedures relating to cashiering functions available for the staff. This may be due to the fact that there is a confusion as to who the Tellers should report to, whether it's ROD or the OFT. The OFT policies and procedures for cash handling and the District's Standards for Agency Cash issued by then Office of the Controller were not adapted, updated or tailored for use by both departments.

In addition, we attach for management's attention and record a copy of a prior report OIO issued on OFT/ROD's operations in July 2003, titled: "Cash Collection Review at the Office of Finance and Treasury/Recorder of Deeds" (IA:OFT:2306-M14), which contained many of the same issues noted in this new Draft report; moreover, the "repeat findings" identified in the new report indicate that OIO's earlier recommendations were not fully implemented by OFT and ROD.

FINDINGS AND RECOMMENDATIONS

1. Mailed-In Checks Were Not Deposited Timely

The timely deposit of revenues permits the District to better manage its financial resources and maximize its investment earnings. In addition, undeposited receipts are at risk of loss.

For the audit period, we noted that cash receipts are deposited at a regular interval of 4 days apart, and one instance, 7 days (see Table 1 below), based on our test sample. Mail-in checks collected are logged-in daily and a print-out of the daily total is attached to the documents and forwarded as a batch to the Examiners Unit for processing. At the Examiners Unit, the checks lose their trail because they are co-mingled with other checks collected from the window (walk-ins) and processed together. This procedure makes it difficult to track the logged-in batch to the bank deposits because they are deposited at different times and in different batches. There are no balancing procedures that will ensure that all batches are processed and deposited at the same time to agree with the system-generated total from the log. The log should play a pivotal role in accounting for all mail-in checks for timely deposit and to identify any missing checks.

During our audit, we noted that mail-in checks come through the daily mail and are logged into the system at the front desk. The front desk employee generates a Mail Log Report, which is attached to the documents and forwarded to "Examining Room" for further processing. The checks and the documents are released to the Cashiering Office where the checks are deposited to the bank and the documents are forwarded to the Production Unit for additional processing. This takes additional one or two days before the checks get to the

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

bank. In summary, it takes about 4 to 5 working days before mail-in checks actually get deposited into the bank.

To reconfirm our test results, we conducted additional testing for periods in FY 2009, which was outside the scope of our review; the results of this additional procedure revealed ROD's process failed to leave an audit trail of the checks deposited daily; moreover, we were unable to trace the majority of the "Mailed-In" checks to the deposits four days later after receipt. It appears that checks may be taking longer than the anticipated 4 days to get to the bank (see **Table 1** below).

Our testing revealed that the following checks were logged into the system on May 12, 2009, and were not deposited until May 15, 2009. Total checks logged in for May 12, 2009, were 280, but we were able to trace only 9 checks to the deposit of May 15, 2009.

Recommendations

We recommend that the senior management of OFT and ROD take the following actions:

- OFT and ROD should closely examine the in-house check processing at ROD for the purpose of streamlining this activity to achieve the utmost efficiency, with appropriate controls to assure timely cash deposit, no later than two (2) business days after receipt;
- OFT and ROD should work jointly to reduce the number of days it takes for "mailed-in checks" to be processed across two operating Units. This would entail a review of the check-routing process currently in place; however, any changes should assure the integrity of cash receipts with appropriate segregation of duties and internal controls.

**Table 1
Sample of Mailed-In Checks Traced to May 15 & 18, 2009, Deposits**

| Number | Sender | Date Received | Check # | Amount | Date Deposited | Number of Days to Deposit |
|--------|-------------|---------------|------------|---------|----------------|---------------------------|
| 1 | Wells Fargo | 05/12/2009 | 1000599629 | \$56.25 | 05/15/2009 | 4 |
| 2 | Wells Fargo | 05/12/2009 | 1000599628 | \$63.00 | 05/18/2009 | 7 |
| 3 | Wells Fargo | 05/12/2009 | 1000599627 | \$56.25 | 05/15/2009 | 4 |
| 4 | Wells Fargo | 05/12/2009 | 1000599626 | \$56.25 | 05/15/2009 | 4 |
| 5 | Wells Fargo | 05/12/2009 | 1000599625 | \$56.25 | 05/15/2009 | 4 |
| 6 | Wells Fargo | 05/12/2009 | 1000599623 | \$56.25 | 05/15/2009 | 4 |
| 7 | Wells Fargo | 05/12/2009 | 1000599611 | \$63.00 | 05/15/2009 | 4 |
| 8 | Wells Fargo | 05/12/2009 | 1000599638 | \$51.75 | 05/15/2009 | 4 |
| 9 | Wells Fargo | 05/12/2009 | 1000599636 | \$56.25 | 05/15/2009 | 4 |

Source: Based on ROD information

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

ROD Response

ROD believes that mailed in checks are deposited timely. The checks mailed into ROD are for payment of transfer taxes, recordation taxes and surcharges associated with the recordation of documents. All documents submitted for recording (whether mailed or walked -in) must be reviewed to determine whether they are eligible for recording. On average, mailed in documents are rejected at a rate of approximately **15 to 20** percent. ROD policy is that recording checks are not deposited until the applicable document has been reviewed and approved because the alternative of depositing the recording fees paid and subsequently rejecting the document results in the collection of a fee for a service that was not provided. This is especially problematic because typically checks for recording fees are drawn on escrow accounts, which are subject to higher scrutiny by the Bar and the Courts.

OIO Response: We concur with ROD's response.

2. *Bank Reconciliation Not Performed Timely*

Our review disclosed that ROD's last successful bank reconciliation was in the month of August 2008, and all attempts to resolve the reconciliation issues have not been successful because ROD's contractor, Landata Systems, Inc., were not responsive to ROD's request for assistance, according to the ROD staffer responsible for reconciling the accounts. We understood that in the past, when Landata was responsive and helpful, ROD has been able to balance the bank accounts. (see **Table 2** below).

Recommendations

We recommend that the ROD:

- Take steps to assure that the weekly reconciliation of the credit card transactions summary reconciles to SOAR because of the updates made to the general ledger and ensure that other sub-ledgers are also updated timely. The reconciling of the credit card transactions processed through the bank statements helps to eliminate bank statement errors and uncover irregularities during the reconciliation process.
- Investigate and resolve the allegation that ROD contractor, Landata Systems, Inc., has not been responsive to queries and requests from ROD personnel during the reconciliation process in order to assure that "reconciliation items" are identified promptly to permit ROD to reconcile bank statements to receipts.

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

**Table 2
Analysis of Bank Deposits, SOAR's Records, and ROD Reconciliation Table
April 2008 to December 2008, and
January 2009 to March 2009**

| Month | Bank Deposits | ROD Reconciliation | SOAR/ GL Reconciliation | Variance between ROD& SOAR | Variance between Bank Deposits & SOAR |
|--------------|------------------------|------------------------|-------------------------|----------------------------|---------------------------------------|
| Apr-08 | \$ 664,815.44 | \$ 664,927.46 | \$ 664,926.96 | \$ 0.50 | \$ (111.52) |
| May-08 | \$ 952,806.77 | \$ 952,806.79 | \$ 952,806.79 | | \$ (0.2) |
| Jun-08 | \$ 849,469.10 | \$ 849,469.10 | \$ 849,469.10 | - | \$ - |
| Jul-08 | \$ 665,385.95 | \$ 665,385.95 | \$ 665,385.95 | \$- | \$ - |
| Aug-08 | \$ 933,275.32 | \$ 933,275.33 | \$ 933,275.33 | - | \$ (0.01) |
| Sep-08 | \$ 2,432,026.65 | \$ 2,432,026.65 | \$ 2,432,362.65 | \$ (336.00) | \$ (336.00) |
| Oct-08 | \$ 741,764.98 | \$ 748,405.49 | \$ 748,595.26 | \$ (189.77) | \$ (6,830.28) |
| Nov-08 | \$ 727,607.64 | \$ 727,517.64 | \$ 628,576.45 | \$ 98,941.19 | \$ 99,031.19 |
| Dec-08 | \$ 774,067.84 | \$ 760,106.55 | \$ 760,106.56 | \$ (0.01) | \$ 13,961.28 |
| Jan-09 | \$ 1,315,162.12 | \$ 1,315,162.12 | \$ 1,315,188.62 | \$ (26.50) | \$ (26.50) |
| Feb-09 | \$ 331,361.38 | \$ 331,361.38 | \$ 337,025.40 | \$ (5,664.02) | \$ (5,664.02) |
| Mar-09 | \$ 1,006,061.82 | \$707,382.90 | \$ 448,397.68 | \$ 258,985.22 | \$ 557,664.14 |
| Total | \$11,393,805.01 | \$11,087,827.36 | \$ 10,736,116.75 | \$ 351,710.61 | \$ 657,688.26 |

* ROD must correct SOAR's reconciliation records to match the bank deposits for FY 2007 and 2008

* The agency is aware of this variance, and trying to reconcile its records.

Source: all data have been provided by ROD/OTR

ROD Response

ROD agrees that monthly bank reconciliations were not timely. To remedy this finding, RPTA has hired an accountant to do the monthly reconciliations. Revenue Accounting will assist with the monthly bank reconciliations on an as needed basis.

OIO Response: We concur with ROD's response and this effort will help improve internal controls and will also help to eliminate bank statement errors and irregularities uncovered.

3. Cash Shortages/Overages Not Reviewed and Monitored Effectively.

During our audit, we observed that the shortage and overage spreadsheets compiled by the Supervisory Teller were never brought to the attention of the OFT/ROD senior

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

management's attention for assessment and possible administrative actions to deter recurrence, as stipulated in the OFT's procedures manual.

Based on our observations, we found that this situation has the potential for irregularities to take place under the current process. Our analysis of the spreadsheets submitted by the Supervisory Teller disclosed a shortage of \$79.50 in cash and a corresponding overage of \$86.50 in check on April 18, 2008, for Teller No. 2. Examples of other instances of overages and shortages by the cashiers are shown in the **Table 3** below.

**Table 3
Extraction from Shortage Overage Spreadsheets Compiled by the Acting Supervisory
Cashier with Her Original Comments**

| Teller # | Date | Over/ Short | Amount | Check/ Cash | Fiscal Year | Comments on Spreadsheet |
|----------|---------|----------------|----------|----------------|----------------|---|
| 2 | 2/5/07 | Short | \$63.00 | Check | FY 07 | The check amount was incorrectly put in, the teller was not aware of the error until settlement was done. |
| 2 | 3/1/07 | Short | \$26.00 | Check | FY 07 | The check amount was incorrectly put in, the teller was not aware of the error until settlement was done. |
| 2 | 3/27/07 | Over | \$32.27 | Not provided | FY 07 | The customer check was more than the transaction total. |
| 2 | 8/15/8 | Over | \$30.00 | Check | FY 07 | The customer check was more than the transaction total. |
| 2 | 8/20/8 | Over | \$21.00 | Check | FY 07 | The customer check was more than the transaction total. |
| 2 | 9/14/07 | Over | \$30.00 | Check | FY 07 | The customer check was more than the transaction total. |
| 2 | 9/14/07 | Over | \$261.50 | Check | FY 07 | Check should have gone back to Customer; it was put in the escrow account. |
| 2 | 9/21/07 | Over | \$56.00 | Check | FY 07 | Money was put in Transcontinental Title Co. |
| 4 | 4/11/07 | Short | \$26.50 | Check | FY 07 | The check amount was incorrectly put in, the teller was not aware of the error until settlement was done. |
| 4 | 5/18/07 | Short | \$180.00 | Check | FY 07 | The check amount was incorrectly put in, the teller was not aware of the error until settlement was done. |
| 4 | 5/29/07 | Short | 28.00 | Check | FY 07 | The check amount was incorrectly put in, the teller was not aware of the error until settlement was done |

* Extracted from the shortage/overage spreadsheet compiled by the Acting Supervisory Teller at ROD.

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

Recommendation:

We recommend that OFT take the following actions:

- The monthly shortage and overage listing compiled by the Acting Supervisory Teller should be reviewed by OFT to determine the nature of the shortage-overage issue and implement appropriate controls to eliminate this recurring issue;
- OFT should follow up with administrative action if the problem persists, as stipulated in OFT's procedures manual.

OFT Response

Policies and Procedures have been revised. There is an overage/shortage log for cashier differences at each cashiering location. This log is reviewed daily by the Lead Cashier and forwarded for further review by the Cashier Operations Manager. The policy required the cashier to personally reimburse the District for shortages. This policy was abolished in June 2009 and a new policy was developed which calls for administrative action based on the number of times and the amount of the shortage/overage.

OIO Response: We concur with OFT's response.

4. Lack of Accountability and Controls over Escrow Fund Accounts

Lack of accountability and controls over ROD's Escrow Fund accounts, which contain excessive dormant escrow funds account with zero balances. Based on our testwork, we found ninety-nine (99) out of the six hundred ninety-one (691) escrow accounts are presently inactive with zero (\$0.0) balances. The control features on the system would not permit any deletion by the employees except at the request of the ROD management. There are no internal controls over the escrow accounts that could make provisions for the elimination of these dormant accounts.

The Recorder of Deeds does not have adequate controls to ensure that account holders have funds in escrow accounts. ROD did not reconcile monthly reports or compare accounting transactions with E-Star records. Consequently, lack of adequate accounting records and maintenance of essential accounting records hampered our testwork.

In accordance with the OCFO/OFT Financial Procedures Manual 101001.30:

*"...It is the policy of the OFT to safeguard cash, checks, and remittance documents, and to process settlements, and to make deposits timely.
It is the policy of the OFT to monitor the collection of District Government receipts to properly account for all cash and remittance documents under its control."*

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

ROD holds funds for corporate customers and Federal agencies in Escrow Accounts. According to the ROD staff, the Escrow Account is for the convenience of the customers and the District Government. In the event the customer comes in with an incorrect payment, or with a higher payment, any overage or shortage is accounted for through the Escrow Account, which serves essentially as "suspense account" and a convenient but irregular method of processing tax payments.

OIO noted that the Escrow Accounts are not reconciled at the ROD, or accounted for in SOAR. Additionally, many of the accounts carry negative balances, but only Federal agencies are billed by ROD to collect amount due based on negative balances shown in the Escrow Account.

According to the OFT official, they were not aware of the existence of the Escrow Accounts at the ROD. OFT indicated that these accounts must have been set up several years ago before ROD's cashiering operations were taken over by the OFT. In addition, the Supervisory Cashier is the only person responsible for the daily maintenance of the accounts. This official also updates the Escrow accounts, compile monthly, a list of accounts that are over the \$2,000 balance for submission to OTR Accounting Office for refunds, and also collect the refund checks for distribution from OTR to respective payees. This process clearly violates the iron principles of segregation of duties and proper internal control. Segregation of duties is critical to effective internal control as an instrument to reduce the risk of mistakes, inappropriate actions, and even fraud.

According to an OTR official, the Escrow Accounts were not established to have negative balances, but in many instances, this is the case. Moreover, it is improper for ROD to use District funds to process transactions when the payment is deficient, thus resulting in a negative balance in the account. This official stated that other local jurisdictions have Escrow funds; but, while it is a convenience to the District as well as the customers, the Escrow Account should be better managed to eliminate all negative balances, or to do so within a limited timeline, if deemed appropriate by management.

Recommendations

OIO recommends that OFT/ROD implements the following actions:

- Examine the process and applicability of the Escrow accounts and provide a written justification for its beneficial existence;
- If deemed appropriate, establish adequate policies and procedures over the Escrow Accounts to properly track and account for deposits made into the Escrow accounts; avoid negative balances, and after a reasonable period of inactivity, ROD should settle the balance with respective customer; and finally, classify accounts dormant if not used within a stated time period;
- Consult with OFOS senior accountants on the advisability of establishing and reporting the Escrow account in SOAR;

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

- Ensure that transactions affecting the Escrow accounts are duly reconciled and posted to the appropriate fiduciary accounts and adjust all incorrectly posted transactions when identified;
- Take immediate action to terminate ROD's action in "collecting customers refund checks" for hand delivery; this is another type of "hold for pickup checks" a practice that has been eliminated.
- All refunds checks processed by ROD-OTR must be mailed out by OFT directly to the account holder, like all other refunds.
- Take immediate action to establish complete segregation of duties of the Supervisory Cashier managing the cashiering function at ROD.

ROD Response

ROD agrees that controls over escrow accounts were problematic. OFT and ROD have agreed to eliminate escrow accounts as an option to accounting for recording overages and paying shortages resulting from recording instruments at ROD. All escrow accounts will be phased out and closed over the next four to six months. Escrow accounts were an accommodation to the recording community; ROD, OFT and the stakeholders have agreed to meet to discuss and agree upon an acceptable alternative to the escrow accounts currently used.

OIO Response: We concur with the OFT and ROD corrective action plan. We will follow-up to ensure that implementation has occurred.

5. *Lack of Cohesion between the Activities of OFT Cashiers and ROD Examiners Unit*

During our review, we noted that Treasury-assigned cashiers and ROD's Examiner Unit (Examiner) handle the department's cashiering functions. Treasury-assigned cashiers report their daily receipts/collections to the Examiner's Supervisor, who made adjustments to the daily "General Ledger Summary," before returning same to OFT's Acting Supervisory Cashier. The "adjusted balance" is used by the ASC to complete the bank deposit slips for the day. The difference between the adjustments and the actual collections are reflected in the escrow accounts without management's approval and without a detailed listing in the escrow accounts affected. We found that the ASC is the only person with access to the escrow accounts with authority to compile and distribute refund checks to any account, which exceeds the \$2,000.00 limit set by ROD.

We have serious concern over the ROD's management and accounting of the Escrow Account. Our inquiries of ROD staff indicate that Escrow Accounts were never reconciled or accounted for in SOAR; therefore, the funds are not properly safeguarded. Moreover, since there is no SOAR control account tied to the escrow account, the escrow accounting transactions cannot be reconciled to the District's general ledger. Furthermore, the verification was based on item by item.

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

Recommendation

We recommend that OFT and ROD takes the following actions:

- Update policies and procedures with best practices for changes in business processes, with appropriate controls in place to safeguard District assets;
- Communicate significant changes to all affected personnel immediately to ensure they are aware of any revisions to their daily duties and responsibilities, and to provide training if applicable;
- Recorder of Deeds must perform monthly reconciliation on Escrow Accounts to Cash Receipts, SOAR records, agency books, and eliminate any discrepancies in the escrow accounts immediately. Customers with negative balances shall be identified and not allowed to receive future services until negative balances are paid off.
- Consult with OFOS senior accountants to determine whether a separate SOAR balance sheet account to properly account for escrow funds as a fiduciary liability rather than revenue.

ROD/OFT Response

ROD agrees that there was a lack of cohesion between the OFT cashiers and ROD Examiners Unit. Once the escrow accounts are eliminated, there will no longer be a need for updated policies and procedures, training or monthly reconciliations of SOAR balance sheets for the escrow accounts as recommended by OIO.

OFT stated that ROD and OFT met this past summer to revise their work flow processes. It is OFT's goal to have its cashiers perform cashier work only. OFT is investigating removing the examiner portion of the work, which includes examining legal documents, affixing bar codes for recording deeds and other duties regarding the handling of legal documents. OFT plans to do this by separating the cashiering module from the examiner's software. In speaking with the Eclipse Software vendor, there is an expense related to this modification. This expense will need to be discussed with OTR's Finance Department.

OIO Response: We concur with the OFT and ROD corrective action plan. We will follow-up to ensure that the corrective action has been implemented.

6. *Inadequate Policies and Procedures, Supervisory Oversight and Segregation of Duties Over Cashiering Operations*

Our review of ROD's program activities and OFT's cashiering operations, both of which are intimately intertwined within ROD reveal a lack of segregation of duties and weak internal controls over the cashiering function. Currently, the oversight role performed by the OFT, is limited to the weekly draw count by the Acting Supervisory Cashier, a position we understand was recently introduced by OFT to monitor the fund balance and the amount of

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

cash in the vault. We found also that there are no written reports provided to Senior Finance Officials on the activities of the OFT staff at ROD.

Our review revealed that there are no formal written administrative policies and procedures administering supervisory oversight, and there are no formal written procedures given to cashiers describing their responsibilities. The only control that exists at this site is the weekly cash count by the Supervisory Cashier, recently introduced by OFT to monitor the fund balance and the vault.

For instance, differences noted between the actual collections and deposits, whether negative or positive, are reflected in the escrow accounts as an increase or decrease without a listing of the affected escrow accounts for possible inquire, causes, and management's approval.

The Finance office relies on postings in SOAR to provide reports on total revenues generated by the department to senior District officials. These figures are used for budgeting and operational analysis of the Recorder of Deeds. The reports may be understated or overstated and may not be reliable because internal controls are inadequate to assure that total daily receipts are completely accounted for and deposited intact. We observed that senior finance officials are not involved in the unit's operation to provide the assurance that total daily receipts/collections recorded in SOAR, are reconciled to amounts deposited.

In accordance with the OCFO/OFT Financial Procedures Manual, effective date April 30, 2002, 100102.70:

"...on a timely basis, the Manager of the Cashiering Operations or designee performs a reconciliation of the Cash-On-Hand Fund and records the results for each cashiering site."

The Supervisory Cashier is solely responsible for: updating the Escrow account with new entries; compiling list of Escrow accounts due for refunds, when an account is over the \$2,000 limit set by ROD; submitting the list to accounts payable for the issuance of refund checks; and also collecting the checks for distribution. This list of duties clearly violates the principle of segregation of duties. The absence of compensating controls, including transparent segregation of duties, updated policies and procedures, job rotation, coupled with senior supervisory monitoring and oversight, can contribute to errors, irregularities and fraud.

The role of the Financial Manager include managing the agencies cash collections in accordance with applicable District policies and procedures and a proper review and supervision of the work performed by personnel in his/her department.

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

Recommendations:

We recommend that:

- OFT establish or update their policies and procedures to ensure adequate managerial oversight and employees are aware of their operational responsibilities.
- Establish clear and distinct lines to segregate duties, and consider job rotation as an avenue to mitigate risk of errors and fraud.

OFT Response

OFT management currently has in place quality oversight of the ROD cashiers. OFT and ROD met this past summer to revise their workflow and procedures. OFT was scheduled to meet with OTR's Director of Revenue Accounting Administration, Bert Molina, on October 29, 2009, to present OFT's recommendations to revise the workflow for the ROD cashiers. OFT's goal is to separate the duties and responsibilities of the cashiers from the examiner.

OIO Response: We concur with OFT's response.

7. *No Written Policies and Procedures Established For Handling Escrow, E-filing/Credit Card Reconciliation and Cashiering Functions*

ROD does not have written policies and procedures on cashiering operation, escrow account administration and e-filing bank reconciliation. We were provided a copy of a two page document titled "Cashiers Processing Requirements for the Recorder of Deeds" which contains the description of the Examiners main functions with less emphasis on cashiering operations for tellers or cashier daily settlement.

The Recorder of Deeds does not have current written policies and procedures, which detail management's criteria for executing the organization's operations. These policies and procedures should document business processes, personnel responsibilities, and ROD operations as well as promote uniformity in executing and recording transactions. A well written policies and procedures serve as effective training tools for employees. Although, the cashier was under the supervision of the OFT and the OFT has written procedures, the ROD must have program specific policies and procedures for the cashiers. From our discussion with the ROD staff, it appears that that written policies and procedures were not given priority and therefore none were prepared.

Recommendation

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

We recommend that:

- The Recorder of Deeds should take an inventory of its written policies and procedures over all areas of ROD's program operations, including a review of internal and segregation controls; and where lacking, ROD should accordingly update and revise such procedures and controls as appropriate, to achieve improved operational effectiveness, sound internal controls, and transparent audit trails.

OTR Response

ROD agrees with OIO's recommendation and is currently working with RPTA to develop updated policies and procedures to include all aspects of ROD program operations. ROD will request from OFT a copy of all policies and procedures for cashiering functions so they can be included in ROD's policies and procedures manual.

OIO Response: We concur with the ROD corrective action plan. We will follow-up to ensure that implementation has occurred.

8. *Cashiers' Systems Generated Report on Daily Total Collections Altered Without Supervisory or Management Approval*

OFT's Acting Supervisory Cashier has the responsibility to ensure that the total collections from the Cashier's Window and the mailed-in checks tally with the total collection reports generated by the System. Any differences are resolved before forwarding it to the Examiner's Office for posting into different ledger accounts as revenue. These accounts consist of Recording Fees, Certified Copies, Recordation Tax, Transfer Tax and Surcharge. During this process, the Examiner would discover that collections are more or less than revenue and the difference is reflected in the Escrow Accounts as a ball pack figure on the systems generated report as a negative or positive figure depending on the situation. The difference usually impacts more than one escrow account and no breakdown or a detailed listing of all Escrow Accounts affected is attached. Sometimes, not all the differences are accounted for in the Escrow accounts and no further action are taken because of the lack of a controlling account in the general ledger. An intentional error could occur in this situation and be concealed without being detected due to lack of oversight and job rotation.

Whenever the revenue is more than receipts (cash), the difference is reflected in the Escrow Accounts as a negative to reduce the balance of the accounts impacted and vice versa. Based on our inquiry and review, there appears to be a unilateral decision made by the Examiner without Supervisory or ROD's senior official approval. We were unable to get an understanding of why this is happening from the Acting Supervisory Cashier, therefore, we had to inquire from the Examiner. This is the only employee who has the knowledge of how this works because of the employee's tenure on the same job.

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

Recommendation

We recommend that ROD and OFT take the following actions:

- Train and cross-train additional staff/Deputy Examiner on the responsibilities of the Examiner so that on the day the Examiner failed to show up, any individual can step in and perform the duties of the Examiner.
- Develop a well written, easy to follow Operations Manual that will enable smooth transitioning into the Examiner's position, just in the event of an emergency.
- Perform daily reconciliation of the Escrow Accounts and ascertain that the running balance agrees with the General Ledger balance for escrow. Ensure that the net posting for the day reconciles with the Escrow Accounts and the difference between the cash receipts and the revenues.

ROD/OFT Response

ROD agrees with OIO's finding that alterations to the Cashiers' system generated report on daily total collections are not approved by supervisors or management. OFT and ROD have agreed to eliminate escrow accounts that cause the alterations OIO identified. In the interim, ROD will train and cross-train additional staff to review and approve alterations to the cashiers' system generated report daily collections total. The Revenue Accounting Administration will assist with reviewing and approving alterations to the daily collections total on an as needed basis.

OIO Response: We concur with ROD/OFT's response

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

EXHIBIT 1

Exhibit 1: Cash Collection Review at the Office of Finance and Treasury/Recorder of Deeds (IA:OFT:2306-M14)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Office of Integrity and Oversight



MEMORANDUM

Phil
TO: Phil Brand, Deputy CFO
Office of Tax and Revenue
N. Anthony Calhoun, Deputy CFO
Office of Finance and Treasury

B
FROM: Ben Lorigo, Executive Director
Office of Integrity and Oversight

DATE: July 28, 2003

SUBJECT: Cash Collection Review at the Office of Finance and Treasury/Recorder of Deeds
IA: OFT: 2306-M14

This memorandum report presents the results of the Office of Integrity and Oversight (OIO) surprise cash count for the Office of Finance and Treasury (OFT) cashier site located at 515 D Street. OIO incorporated the agency's responses into the report. The agency's comments to the memorandum report are attached.

This cashier site is responsible for the collection of the Recordation and Transfer taxes within the Recorder of Deeds (ROD), a division of the Office of Tax and Revenue (OTR) for the District of Columbia. This surprise cash count is one in a series of random cash reviews that will be performed by the OIO Internal Audit, as part of an overall oversight responsibility to monitor and review cash accounts in the District. Our objectives are to review cash management and related controls and propose recommendations for better safeguards over cash and to improve internal controls within various agencies. Another objective of the cash count was to determine whether cash collections reconcile to the bank deposit, ROD Source Documents and to the Transaction Reports from the LANDSCAN System.

The Surprise Cash Count was performed on March 4, 2003. A cash count for all the Cashiers (Cashiers, 3, 6, 7 and 8) was performed and agreed to the March 5, 2003 bank deposit. For March 4, 2003, OIO reconciled the source documents to the bank deposit and to the transactions reports. Additional procedures performed included a reconciliation of the fees collected per the daily Cashier Report to the ROD scanned source documents and other miscellaneous non-document related receipts for items such as copying services and other monies added to the customers' Escrow Accounts. OIO also held additional meetings on the procedures for handling of Escrow Accounts at the ROD.

The individual Escrow Accounts are used to account for over and short process payments from customers recording transactions. The majority of the Escrow Accounts are used for corporate customers and Federal agencies. The Escrow Accounts were set up for the convenience of the customer and the District government.

Although cash collections agreed to the source documents and the bank deposit and the transaction report for that day, OIO noted internal control weaknesses over collections that require better safeguards over the collection of monies. We also noted that many of the Escrow Accounts contained negative balances, which defeats the purpose of an Escrow Account.

While performing our cash procedures at the ROD, we noted that in fiscal year 1999, the internal audit staff of OTR performed a cash management review of ROD. At the time of the review, cashiers were a part of the ROD. This review occurred shortly before the cashiering function was transferred from the ROD to the OFT. We requested a current status report on the prior exceptions from the OFT. The OFT status report dated April 9, 2003 revealed the following for each of the exceptions noted in the 1999 cash management review:

I. Status of prior year Findings and Recommendations

1. **Secured Security.** One person staffs the guard station during the hours of ROD operations (8:15AM to 4:45PM) and an alarm system provides security during non-operational hours. Since only one security guard provides coverage, it is impossible for this individual to always be on post.

Recommendation: To ensure the guard post is always staffed immediate consideration should be given to increasing security staffing at ROD.

Status. Resolved. Per the OFT response, two guards are assigned to the lobby. OIO concurs with this response.

2. **Inadequate Security and Surveillance/Alarm Equipment in the Cashier's Office.** In observing security controls over the cashier's operation, IA found that there are no surveillance cameras to monitor the activities in the cashier's office and its environment. In addition, the cashier's office lacks a silent alarm (panic) buttons for employees to alert security personnel in emergency situations. The main door leading to the cashier's office is not secure enough to deter an intruder due to the deteriorating condition of the door.

Recommendation: To improve security of the current cashier's office a new bulletproof door should be installed. Managers should ensure that the new cashier's office is equipped with devices commonly found in commercial financial institutions. These devices include bulletproof glass and security cameras, silent alarms, and monitoring devices at the guard station.

Status. Resolved. Per the OFT response, the cashiers' office was completely renovated and now includes a key-card access door and three panic alarms. ROD opted to not install security cameras. OIO concurs with this response.

3. **Lack of Supervisory oversight of the Cashier's Operation.** IA found that there were no formal written administrative policies and procedures governing supervisory oversight. In addition, there were no formal written procedures given to cashiers detailing their responsibilities.

Recommendation: Policies and procedures should be established to ensure adequate managerial oversight occurs and employers are aware of their operation responsibilities. These should include but not limited to:

- a) Periodic surprise cash counts of tellers by a manager.
- b) These surprise cash counts should be documented and all deficiencies should be reported to the ROD along with proposed corrective actions.
- c) A manager should immediately approve all voided transactions and a log of these transactions should be maintained.

Unresolved. Per the OFT response, OFT is still trying to determine if ROD has a policies and procedures manual. The OFT has a similar manual for its cashiers, however, since the OFT only provides cashiering services for ROD, their manual must be program specific. Periodic cash counts are performed and documented. The voided transactions still do not require supervisory approval, however, this is being addressed with ROD. OIO partially concurs with this response.

OIO found no documentation that periodic cash counts are performed and documented in accordance with the OFT Operating Manual.

OFT Response

Policies and procedures have been written for cash handling however ROD has not provided similar policies and procedures for the program operations.

- a) Periodic surprise cash counts will be performed by an OFT supervisor.
- b) The results will be documented at the ROD and OFT's main cashiering office.
- c) The ROD and his deputy are the only individuals authorized to void transactions and delete items. A log is kept for these transactions. (See Attachment)

OIO Evaluation

OIO concurs with the OFT response and recommends that the appropriate sections of the OFT Financial Procedures Manual on Cashiering Operations be provided to and reviewed with the ROD Supervisory Cashier. OIO also recommends that ROD provide program specific information to OFT in order to supplement the existing written policies and procedures and make them more relevant to ROD's operations.

ROD Response

The process has been changed and only the Lead Cashier can approve a voided transaction. The automated system can generate a void transaction report. (See Attachment)

OIO Evaluation

Although ROD's response to this finding only addressed the issue of controls over voided transactions, ROD indicates its intent to work with OFT to develop overall administrative policies and procedures specific to ROD's operations in its response to Finding II.a. OIO recommends that ROD and OFT coordinate the development of an action plan with related timelines for completion of the update to the existing written policies and procedures in order to make them more relevant to ROD's operations.

4. **Physical security controls over cash.** IA observed on two separate occasions during the review when the front door to the cashier's office was left ajar. On both occasions the supervisory cashier was preparing bank deposit for courier pick up.

Recommendation: To minimize the risk of theft and strengthen the controls over collections you should:

- a) Place a safe in the cashier's office with no more than three individuals knowing the combination.
- b) Provide an escort when collections outside the cashier's office.
- c) Establish policy and procedures requiring the supervisory cashier to secure collections when leaving the office.
- d) The ventilation should be corrected to improve the security of the cashier's office.

Resolved. Per the OFT response a safe as been placed in the cashiers' office and two cashiers know the combination. The deposits are picked by Loomis-Fargo daily and the practice of leaving collections unsecured has been terminated. The ventilation was corrected during ROD's renovation. OIO concurs with this response.

5. **Untimely Deposits of Daily Collections.** IA noted that deposits were not being made in a timely manner.

Recommendation: To avoid the loss of interest income associated with untimely deposits, and the possibility of misappropriation of funds, we recommend that ROD request a blanket purchase order for its supply needs. Or as alternative, we recommend that OTR's General Services Administration (GSA) provide all supplies including the deposit bags.

Resolved. Per the OFT response deposits are picked up daily by Loomis-Fargo. OIO concurs with this response.

6. **Employees Handling Cash are not Bonded and Poses High Potential Risk.** In reviewing the cashier's procedures, we noted that there is no established policy, which requires ROD employees who handle cash to be bonded.

Recommendation: ROD should consider establishing policies and procedures, which describe the bonding of all employees handling cash, and obtaining an insurance policy for surety/bonding of employees.

Resolved. Per the OFT response all OFT cashiers are bonded. OIO concurs with the response that all OFT cashiers are bonded.

7. **Lack of adequate record keeping.** In reviewing the source documents for the daily collections in the cashier's office, we determined that daily collections do not always reconcile to daily bank deposit.

Recommendation: All daily collections should be adequately substantiated with proper documentation to provide an audit trail. All reconciliation differences should be resolved before the deposit is sent to the bank.

Resolved. Per the OFT response ROD staff prepares all SOAR documents. OIO noted that ROD prepares the SOAR document and submits it to the OFT for review and to be entered into SOAR. OIO validated the Source document to the bank deposit and to SOAR. The source document, bank deposit and SOAR agreed and entered into SOAR in a timely manner.

Based on our evaluation of the above, we believe that the ROD took actions to implement recommendations of the prior review report. However, we are of the view that further improvement is needed, based on the work we performed. In our Surprise Cash Count, we noted the following deficiencies:

II. LACK OF INTERNAL CONTROLS AT THE ROD CASH SITE

OIO noted several internal control weaknesses over cash collections that require better safeguard over cash collections within the ROD.

- a. **Lack of Written Policies and Procedures.** We found no written policies and procedures at the ROD. Although the cashier was under the supervision of the OFT and the OFT has written procedures, the ROD must have program specific policies and procedures for the cashiers. From our discussion with the ROD staff, it appears that written policies and procedures were not given priority and therefore none were prepared. Due to lack of written policies and procedures, the cashiers were making up their own policies and procedures as different situations came up, which can attribute to lack of internal controls over the cash collection unit.

Sound internal controls dictate that management provides written policies and procedures to staff in order to perform their duties to assure proper cash accountability.

Recommendation

We recommend that OFT/ROD provide program specific written policies and procedures to the Cashiers within ROD for program specific guidance.

ROD Response

ROD will coordinate with OFT to develop cashier policies and procedures specific to ROD's operation. (See Attachment.)

OIO Evaluation

OIO concurs with the ROD response, and recommends that ROD and OFT coordinate the development of an action plan with related timelines to update the existing written policies and procedures.

- b. **Lack of Supervisory Oversight.** We found no evidence of supervisory oversight at the ROD by the Manager of the OFT Cashiering Operations. The Site Supervisor stated that the Manager of the Cashiering Operations or designee only comes to the site when a problem comes up. The lack of management oversight could lead to abuses and put government funds at risk.

In accordance with the OCFO/OFT Financial Procedures Manual, effective Date April 30, 2002, 100102.70 "...on a monthly basis, the Manager of the Cashiering Operations or designee performs a reconciliation of the Cash-on-Hand Fund and records the results for each cashiering site. This reconciliation is reported to the Office of the Inspector General.

Cashiering operations will be subject to an unexpected cash count performed by the Office of the Inspector General. This procedure will be performed at least twice a year for each cashiering operation with cash collections totaling more than \$250,000 annually."

Recommendation

We recommend that OFT/ROD ensure that supervisory oversight is provided at the ROD Cashiering operations and on a monthly basis a reconciliation of the Cash-on-Hand is performed by management of the cashiering operations to safeguard government assets.

OFT Response

The Manager of Cashiering Operations is responsible for eight cashiering sites in addition to working as a senior cashier in the main cashiering site. On occasion, she has to function as a teller if one of the sites has staffing problems. Consequently, she cannot visit all the sites all the time to ensure that the remote cashiers are following proper procedures. That responsibility falls on the site supervisors. They are responsible for the daily operations of their tellers and ensuring that all policies and procedures are being followed. The Manager of Cashiering Operations is available by telephone as are the other three senior cashiers in the main cashiering site. The Operations Manager and the Manager of Cashiering Operations are also accessible via cellular telephone. The Recorder of Deeds and his Deputy provide additional supervision.

However, going forward, the Operations Manager and the Manager of Cashiering Operations will visit all the sites at least monthly to ensure that the operations are running smoothly and to

perform the monthly reconciliation of the Cash-on-Hand Fund. These visits will be documented and a report will be filed. (See Attachment)

OIO Evaluation

OIO concurs with the OFT response and recommends that the appropriate sections of the OFT Financial Procedures Manual on Cashiering Operations should be updated to reflect the new procedures, which should also be reviewed with the ROD Supervisory Cashier.

- c. **Lack of accountability over Escrow funds.** ROD holds funds for corporate customers and Federal agencies in Escrow Accounts. These funds are used for customers that come in with over or short payments. According to the ROD staff these Escrow Accounts are for the convenience of the customer and the District Government. In the event the customer comes in with an incorrect payment, the overage or shortage are accounted for through the Escrow Accounts.

OIO noted that the Escrow Accounts were not reconciled at the ROD or accounted for in SOAR. Additionally, many of the accounts carry negative balances, but only Federal agencies are billed by ROD. According to the OFT management of the Cashiering Operations, they did not know that Escrow Accounts existed at the ROD. They stated that these accounts must have been set up several years ago before the cashiering operations were taken over by the OFT. Due to the non-reconciliation, lack of billing customers other than Federal agencies and lack of accountability in SOAR of the Escrow funds, these funds are not properly safe guarded.

According to an OTR official, Escrow Accounts were not established to have negative balances. Moreover, the ROD should not use District funds to process transactions when there is a negative balance in the account. The official stated that other local areas have Escrow funds and it is a convenience to the District as well as the customer, however we should not permit negative balances in the accounts.

In accordance with the OCFO/OFT Financial Procedures Manual 101001.30 "...It is the policy of the OFT to safeguard cash, checks, and remittance documents, and to process settlements, and to make deposits timely.

It is the policy of the OFT to monitor the collection of District Government receipts to properly account for all cash and remittance documents under its control."

Recommendation

We recommend that the OFT/ROD perform a comprehensive analysis of Escrow Accounts and to establish standard operating procedures to address the following items:

- All Escrow Accounts with negative balances should be brought up to date immediately, with a procedure to prohibit negative balances.
- Perform periodic reconciliation on all Escrow Accounts.

- Establish a general ledger control account in SOAR to record the escrow account transactions.

ROD Response

ROD will re-program the cashier application to only accept a negative escrow balance for federal agencies. All federal agencies will continue to be billed. All customers with a negative balance will be identified and not allowed to record a filing until the balance is current. This process will be effective NLT 30 July 2003. All other customer accounts will prohibit negative balances. (See Attachment)

OIO Evaluation

OIO concurs with the ROD response, and recommends that the written policies and procedures should be updated accordingly and reviewed with the ROD Supervisory Cashier.

- d. **Deleted Documents within the ROD.** OIO's reconciliation of the daily Cashiers Transaction Report with assessed fees per the actual documents revealed a difference of \$46.50. OIO performed further research and discovered the difference related to fees assessed on one document number 2003026109, which was subsequently deleted by ROD personnel. The deleted document was subsequently processed as document number 2003026526 and records obtained from the cashier indicated that another fee of \$46.50 was assessed. The resubmission of the document resulted in a duplicate charge to the customer because the deleted document does not automatically reverse the cash transaction on the Cashiers Transaction Report. Additionally, the Cashier was not notified by ROD of any needed adjustment to the Cashier Transaction Report.

We were later provided a letter from the customer dated March 26, 2003, by ROD that instructed ROD not to make the correction on their Escrow account. The letter also contained instructions for another document that had been deleted, reprocessed and a charge assessed of \$46.50.

Recommendation

We recommend the following to management of the OFT/ROD:

- Documents should not be deleted by ROD. The documents should be voided in the LANDSCAN system.
- The Supervisory Cashier should be notified of any changes to documents that have to do with the Cashiers Transaction Report.

ROD Response

ROD has researched all profiles of their employees to determine who has authorization to delete documents from the system. The authorization will be granted only to the Recorder of Deeds, Deputy Recorder of Deeds and the supervisor of the Production Division. These individuals will notify the Lead Cashier when documents are deleted. The Lead Cashier will maintain a transaction log of all deleted documents. (See Attachment)

OIO Evaluation

OIO concurs with the ROD response, and recommends that the written policies and procedures should be updated accordingly and reviewed with the ROD Supervisory Cashier.

We would like to thank the staff for the assistance and cooperation extended during our surprise cash count. If you have questions please call Mohamad Yusuff, Director, Internal Audit at 442-8240 or Willadene Tolmachoff, Audit Manager at 442-8277.

Attachments

cc: Lucille Dickinson, Chief of Staff
Henry Riley, Director, Real Property Tax Administration
Alcindor Rosier, Associate Treasurer
Larry Todd, Deputy Recorder of Deeds

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer
Office of Tax and Revenue
Recorder of Deeds



MEMORANDUM

TO: Ben Lorigo, Executive Director
Office of Integrity & Oversight

THRU: W. Henry Riley, Director
Real Property Tax Administration

FROM: Larry J. Todd
Recorder of Deeds

SUBJECT: AUDIT FINDINGS - Cash Collection review at the OFT/Recorder of
Decds IA: OFT: 2306-M14

DATE: June 16, 2003

Listed below are the responses of the Recorder of Deeds to the cash collection review -
IA: OFT/ROD IA: 2306 - M14. The responses address each unresolved issue and
corresponds directly to the finding number.

I. Status of prior year Findings and Recommendations

3. **Lack of Supervisory Oversight of the Cashier's Operation.** IA found that there were no formal written administrative policies and procedures governing supervisory oversight. In addition, there were no formal written procedures given to cashiers detailing their responsibilities.

RESPONSE:

The process has been changed and only the Lead Cashier can approve a voided transaction. The automated system can generate a void transaction report.

II. Lack of Internal Controls at the ROD Cash Site.

OIO noted several internal control weaknesses over cash collections that require better safeguard over cash collections within the ROD.

a. Lack of written policies and procedures.

RESPONSE

ROD will coordinate with OFT to develop cashier policies and procedures specific to ROD's operation.

Page 2

c. Lack of accountability over Escrow Funds.

RESPONSE

ROD will re-program the cashier application to only accept a negative escrow balance for federal agencies. All federal agencies will continue to be billed. All customers with a negative balance will be identified and not allowed to record a filing until the balance is current. This process will be effective NLT 30 July 2003. All other customer accounts will prohibit negative balances.

d. Deleted Documents within the ROD.

RESPONSE

ROD has researched all profiles of their employees to determine who has authorization to delete documents from the system. The authorization will be granted only to the Recorder of Deeds, Deputy Recorder of Deeds and the supervisor of the Production Division. These individuals will notify the Lead Cashier when documents are deleted. The Lead Cashier will maintain a transaction log of all deleted documents.

cc: Phil Brand, DCFO/OTR
N. Anthony Calhoun, DCFO/OFT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

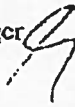
Office of Finance and Treasury



MEMORANDUM

TO: Ben Lorigo, Executive Director
Office of Integrity and Oversight

THROUGH: N. Anthony Calhoun
Deputy Chief Financial Officer and Treasurer

FROM: George Rivera
Operations Manager 

DATE: June 17, 2003

SUBJECT: OFT Response to Cash Collection Review at the OFT/Recorder of Deeds
IA: OFT: 2306-M14

The Office of Finance and Treasury (OFT) provides cashiers for the Recorder of Deeds (ROD) and they are responsible for collecting the recordation and transfer taxes. These cashiers are trained by OFT in basic cash handling skills and are then turned over to the ROD. These cashiers are then trained on the ROD computer system and the program operations that have been established by ROD. Daily operations are supervised by an onsite OFT senior cashier and the ROD managers.

The following responses to the findings and recommendations pertain to the OFT controlled areas:

1. Status of prior year findings and recommendations

3. **Lack of supervisory oversight of the Cashier's Operation.** IA found that there were no formal written administrative policies and procedures governing supervisory oversight. In addition, there were no formal written procedures given to cashiers detailing their responsibilities.

Recommendation: Policies and procedures should be established to ensure adequate managerial oversight occurs and employees are aware of the operation responsibilities. These should be but not limited to:

- a. Periodic surprise cash counts of tellers by a manager.
- b. These surprise cash counts should be documented and all deficiencies should be reported to the ROD along with proposed corrective actions.

- c. A manager should immediately approve all voided transactions and a log of these transactions should be maintained.

Response

Policies and procedures have been written for cash handling however ROD has not provided similar policies and procedures for the program operations.

- a. Periodic surprise cash counts will be performed by an OFT supervisor.
b. The results will be documented at the ROD and OFT's main cashiering office.
c. The ROD and his deputy are the only individuals authorized to void transactions and delete items. A log is kept for those transactions.

II. Lack of internal controls at the ROD cash site

- b. **Lack of Supervisory Oversight.** We found no evidence of supervisory oversight at the ROD by the Manager of the OFT Cashiering Operations. The Site Supervisor stated that the Manager of the Cashiering Operations or designee only comes to the site when a problem comes up. The lack of management oversight could lead to abuses and put government funds at risk.

Recommendation: We recommend that OFT/ROD ensure that supervisory oversight is provided at the ROD Cashiering operations and on a monthly basis a reconciliation of the Cash-on-Hand is performed by management of the cashiering operations to safeguard government assets.

Response

The Manager of Cashiering Operations is responsible for eight cashiering sites in addition to working as a senior cashier in the main cashiering site. On occasion, she has to function as a teller if one of the sites has staffing problems. Consequently, she cannot visit all the sites all the time to ensure that the remote cashiers are following proper procedures. That responsibility falls on the site supervisors. They are responsible for the daily operations of their tellers and ensuring that all policies and procedures are being followed. The Manager of Cashiering Operations is available by telephone as are the other three senior cashiers in the main cashiering site. The Manager of Cashiering Operations and I are also accessible via cellular telephone. Additional supervision is provided by the Recorder of Deeds and his deputy.

However, going forward, I have directed the Manager of Cashiering Operations to visit all the sites at least monthly to ensure that the operations are running smoothly and to perform the monthly reconciliation of the Cash-on-Hand Fund. These visits will be documented and a report will be filed.

cc: N. Anthony Calhoun, Deputy CFO and Treasurer
Lucille Dickinson, Chief of Staff
Craig Small, Associate Treasurer
Henry Riley, Director, Real Property Tax Administration
Larry Todd, Deputy Recorder of Deeds

Provyn, Susan

From: Tolmachoff, Willadene (OCFO)
Sent: July 01, 2003 12:18 PM
To: Provyn, Susan
Subject: FW: Response to ROD audit

Importance: High

Susan:

FYI

Thanks

Willa

-----Original Message-----

From: Tolmachoff, Willadene (OCFO)
Sent: Wednesday, June 18, 2003 1:54 PM
To: Yusuff, Mohamad (OCFO)
Cc: Lorigo, Sebastian (OCFO)
Subject: FW: Response to ROD audit
Importance: High

Mohamad/Ben:

Response from OFT on the ROD Report.

Thanks

Willa

-----Original Message-----

From: Rivera, George (OCFO)
Sent: Wednesday, June 18, 2003 10:37 AM
To: Tolmachoff, Willadene (OCFO)
Subject: RE: Response to ROD audit



Response to ROD
audit.doc

Sorry, similar names.

-----Original Message-----

From: Tolmachoff, Willadene (OCFO)
Sent: Tuesday, June 17, 2003 5:46 PM
To: Rivera, George (OCFO)
Subject: RE: Response to ROD audit
Importance: High

George:

I believe that you submitted the wrong response. Please review and let me know.

Thanks

Willa

-----Original Message-----

From: Rivera, George (OCFO)
Sent: Tuesday, June 17, 2003 3:38 PM
To: Tolmachoff, Willadene (OCFO)
Subject: Response to ROD audit

<< File: ROD audlt response.doc >>

ROD Cash Report

Provyn, Susan

From: Tolmachoff, Willadene (OCFO)
Sent: July 01, 2003 12:12 PM
To: Provyn, Susan
Subject: FW: ROD - Cash Report

Importance: High

Susan:

FYI

Thanks

Willa

-----Original Message-----

From: Todd, Larry (OCFO)
Sent: Monday, June 16, 2003 4:17 PM
To: Tolmachoff, Willadene (OCFO)
Cc: Riley, Henry (OCFO)
Subject: RE: ROD - Cash Report

ROD's response to the cash report is attached. The official response has been routed through the management levels of the organization.

If you have any questions, please do not hesitate calling or emailing me.



internal audit findings
and re...

-----Original Message-----

From: Tolmachoff, Willadene (OCFO)
Sent: Thursday, June 12, 2003 6:03 PM
To: Rivera, George (OCFO); Todd, Larry (OCFO); Mowery, John F. (OCFO)
Cc: Yusuff, Mohamad (OCFO); Riley, Henry (OCFO); Rosier, Alcindor (OCFO)
Subject: ROD - Cash Report
Importance: High

Hello:

The response to the cash report for ROD is long overdue. We need the response now. I would expect to receive the response no later than June 17, 2003. Otherwise, the report will be issued without a response.

Thanks

Willa

**FINAL REPORT ON
REVIEW OF OFT CASHIERING OPERATIONS AND RELATED ACTIVITIES
AT RECORDER OF DEEDS (ROD) WITHIN THE OFFICE OF TAX AND REVENUE
FOR THE PERIOD OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

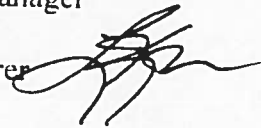
EXHIBIT 2

Exhibit 2: Office of Finance and Treasury (OFT) Response
Office Tax and Revenue/Recorder of Deeds Response

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Office of Finance and Treasury



TO: Willadene Tolmachoff, Audit Manager
FR: For Clarice Wood, Associate Treasurer 
DATE: 10/16/09
RE: Response to Draft on Review of Office of Finance and Treasury's (OFT) Cashiering Operations and Related Activities of the Recorder of Deeds (ROD) for the Period October 1, 2007 – September 30, 2008 (Report no: IA: OFT: 2904-C06)

The Recorder of Deed (ROD) is a function within the Office of Tax and Revenue (OTR). Larry Todd, ROD's manager, and the OFT Cashiering group have been meeting for the last two months to work toward a better integration of work flow between the ROD Cashiers and Examiners. The work plan is under development. Therefore, the response will reflect changes to aspects of the work plan that is already underway, which will be explained in the response. The new work plan focuses on separating cashiering functions from the true examiner's work in an effort toward efficiency and timeliness of work process, with the appropriate segregation of duties.

Deficiencies Response:

- 1) Mailed-In Checks Were Not Deposited Timely
 - a. The checks related to bulk mail vs. over-the-counter acceptance is now separated, batched at day end, and delineated as bulk or over-the-counter on the deposit slip.
 - b. The mail log also indicates the "date of work" which reflects its point of acceptance in the examiner's office. For the dates indicated in table 1 (5/15/09), the "date of work" was 5/6/09. The checks were not delivered to the ROD cashiers for processing until 5/12/09, six (6) days later. The bulk mail work for 5/12/09 consisted of 394 checks, in addition to the in-person client work that was processed. When the work was delivered to the cashiers on 5/12/09, it took two business days (13th & 14th) for the cashiers to process the work in order for Loomis to pick-up on the 14th and deliver the deposit to the bank on the 15th. This was actually a nine (9) day process not 4-7 days. The cashiers, based on the volume delivered that day, processed the work for courier delivery to the Bank in a timely manner (2 business days) and within the guidelines recommended in this audit.

- 2) Bank reconciliation Not Performed Timely
 - a. ROD response required

- 3) Cash Shortages/Overages Not Reviewed and Monitored Effectively (Period Covering 2/07 – 9-07)
 - a. Policy and procedures have been revised. There is an over/short log of cashier differences at each cashing location. This log is reviewed daily by the Lead Cashier and forwarded for further review to the Cashier Operations Manager and the Treasury Operations Manager. The prior policy required the cashier to personally reimburse the District for shortages. This policy was abolished in 6/09 and a new policy was developed which calls for administrative action, based on the number of times and amount of the shortage/overage.

- 4) Lack of Accountability and Controls over the Escrow Fund Accounts
 - a. As of 7/09, as part of our work flow redevelopment, the ROD cashiers do not affect the escrow accounts. They do not open, debit nor credit the escrow accounts. Both OFT and ROD recognized the concerning issues. OFT's understanding is that ROD is reconciling and closing these escrow accounts.

- 5) Lack of Cohesion between Activities of OFT cashiers and ROD examiners
 - a. In process. ROD and OFT met this past summer to revise our work flow processes. It is OFT's goal to have its cashiers perform cashier work only. We are investigating removing the examiner portion of their work which includes: examining legal document, affixing bar codes for recording deeds, and other duties regarding the handling of legal documents. We plan to do this by separating the cashing module from the examiner's software. In speaking with the Eclipse software vendor, there is an expense related to this modification. This expense will need to be discussed with OTR's finance department.

- 6) Inadequate policies and procedures, supervisory oversight, and segregation of duties over cashing operations
 - a. OFT management currently has in place quality oversight of the ROD cashiers. OFT and ROD met this past summer to revise our work flow and procedures. We are scheduled to meet with OTR's Director of Revenue Accounting Administration, Bert Molina, on October 29th to present OFT's recommendations to revise the workflow for the ROD cashiers. From this meeting, we can formalize this. It is OFT's goal to separate the duties and responsibilities of the cashier from the examiner.

- 7) Written Policies and Procedure for Escrows, e-filing/ credit card reconciliation and cashiering functions
 - a. Escrow accounts are, to OFT's knowledge, being reconciled and closed by ROD;
 - b. ROD will respond regarding the e-filing/credit card reconciliation; and.
 - c. After our upcoming meeting for work flow redirection, a written policies and procedures document similar to the one that governs the other OFT cashiering locations will be developed for ROD.

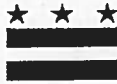
- 8) Cashiers' systems generated report on daily total collections altered without supervisory or management approval
 - a. The current process is that the cashiers do not access the escrow accounts (as of June 2009) to resolve overages or shortages resulting from daily total collections. As a result, the cashiers no longer alter the cashiers' systems generated report.
 - b. Each cashier only processes work that corresponds to the tender. The cashiers return work back to the examiner's office when the tender is more or less than the work. In the past, cashiers would debit or credit the escrow account if there was a mismatch in tender and work.

CC: Larry Todd
Lasana Mack
Jeanne Hoover
Marc Talbert
Tracey Johnson

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Office of the Chief Financial Officer

Office of Tax and Revenue



Stephen M. Cordi
Deputy Chief Financial Officer

MEMORANDUM

TO: Mohamad K. Yusuff, Interim Executive Director
Office of Integrity and Oversight

FROM: Stephen M. Cordi, Deputy Chief Financial Officer
Office of Tax and Revenue

DATE: November 3, 2009

SUBJECT: Draft Report of Review of OFT Cashiering Operations and Related
Activities of Recorder of Deeds for the period October 1, 2007
through September 30, 2008 (Report No: IA:OFT:2904-C06)

A handwritten signature in black ink is written over the 'FROM' field and extends into the 'DATE' field.

Listed below are the responses of the Recorder of Deeds (ROD) to the Draft Report of Review (Report No: IA:OFT:2904-C06). The response corresponds directly to the findings numbers in the Draft Report.

1. Mailed-in checks were not deposited timely.

RESPONSE:

ROD believes that mailed in checks are deposited timely. The checks mailed in to ROD are for payment of transfer taxes, recordation taxes and surcharges associated with the recordation of documents. All documents submitted for recording (whether mailed or walked-in) must be reviewed to determine whether they are eligible for recording. On average, mailed in documents are rejected at a rate of approximately **15 to 20** percent. ROD policy is that recording checks are not deposited until the applicable document has been reviewed and approved because the alternative of depositing the recording fees paid and subsequently rejecting the document results in the collection of a fee for a service that was not provided. This is especially problematic because typically checks for recording fees are drawn on escrow accounts which are subject to higher scrutiny by the Bar and the Courts.

2. Problem with Timely Bank Reconciliation.

RESPONSE:

ROD agrees that monthly bank reconciliations were not timely. To remedy this finding, RPTA has hired an accountant to do the monthly reconciliations. Revenue Accounting will assist with the monthly bank reconciliations on an as needed basis.

3. Cash shortages/overages not received and monitored effectively.

RESPONSE:

The recommendations offered by OIO pertain solely to Office of Finance and Treasury ("OFT") functions.

4. Lack of accountability and controls over the escrow fund accounts.

RESPONSE:

ROD agrees that controls over escrow accounts were problematic. OFT and ROD have agreed to eliminate escrow accounts as an option to accounting for recording overages or paying shortages resulting from recording instruments at ROD. All escrow accounts will be phased out and closed over the next four to six months. Escrow accounts were an accommodation to the recording community; ROD, OFT and the stakeholders have agreed to meet to discuss and agree upon an acceptable alternative to the escrow accounts currently used.

5. Lack of cohesion between the activities of OFT cashiers and ROD Examiners Unit.

RESPONSE;

ROD agrees that there was a lack of cohesion between OFT cashiers and ROD Examiners Unit. Once the escrow accounts are eliminated, there will no longer be a need for updated policies and procedures, training or monthly reconciliations of SOAR balance sheets for the escrow accounts as recommended by OIO. The balance of the issues and recommendations pertain solely to OFT functions.

6. Inadequate policies and procedures, supervisory oversight and segregation of duties over cashiering operations.

RESPONSE:

The recommendations offered by OIO pertain solely to OFT functions.

7. No written policies and procedures established for handling escrow, e-filing/credit card reconciliation and cashiering functions.

RESPONSE:

OIO recommends that ROD develop policies and procedures for the cashiering operation. ROD agrees with OIO's recommendation and is currently working with RPTA to develop updated policies and procedures to include all aspects of ROD program operations and will request OFT provide a copy of all policies and

procedures for the cashiering functions to be included in the ROD's policies and procedures manual.

8. Cashiers' system generated report and daily total collections altered without supervisory or management approval.

RESPONSE:

ROD agrees with OIO's finding that alterations to the Cashiers' system generated report on daily total collections are not approved by supervisors' or management. OFT and the ROD have agreed to eliminate escrow accounts that cause the alterations OIO identified. In the interim, ROD will train and cross-train additional staff to review and approve alterations to the Cashiers' system generated report daily collections total. Revenue Accounting Administration will assist with the review and approve alterations to the daily collections total on an as needed basis.

Should you have additional questions, please contact Larry Todd, Recorder of Deeds, Office of Tax and Revenue at (202) 727-0419.

cc: Lasana Mack Deputy CFO and Treasurer, Office of Finance and Treasury
Clarice Wood, Associate Treasury, OFT
Glen Groff, Director of Operations, OTR
Larry Todd, Recorder of Deeds, OTR
Ritchie McKeithen, Director, Real Property Tax Administration, OTR
Nelson Alli, Senior Audit Manager, OIO
Willadene Tolmachoff, Audit Manager, OIO