

Audit Report Highlights

Real Property Process **October 2022**

Total Potential Recoveries¹ None **Total Cost Savings² None**

Approx. Amount of Property Tax Revenue³ = \$2.8 billion **County Annual Budget⁴ = \$1.4 billion**

Why DIA Did This Audit



An audit was conducted to assess the adequacy, completeness, and accuracy of the revenue generation process for real property. The audit was approved as part of the 2021 Audit Plan and then deferred until 2022. Real Property related processes was identified as higher risk due to the high number of parcels within the County that generate a high dollar amount of property tax payments. Also, there is a high level of public interest that is associated with the transfer, valuation, tax assessment/collection relating to properties. The audit period under review was January 1, 2021 through December 31, 2021.

What DIA Found

The County does a good job managing the high volume of activity that is associated with the recording, valuation, and payments for real property especially given the Pandemic conditions and staffing shortages. However, DIA did note the following internal control or compliance issues:

- There were a lack of written Policies and Procedures relating to the functions of Fiscal Office Real Property, Appraisal relating to the triennial valuation, and for certain roles within the Transfer & Recording and Treasurer’s Office.
- Refunds were issued for property tax payments that had a lack of segregation of duties or supervisor approval and were held for pickup by Accounts Payable.
- CAUV parcels were incorrectly valued in MVP.
- The rationale as to how the triennial factors were calculated for Commercial & Industrial parcels was not documented.
- Parcel valuation sheets were missing.
- Lack of effective internal controls surrounding the cash collection processes of Transfer & Recording.
- Lack of reconciliations for Transfer & Recording accounts.
- Control deficiencies, in part, due to staffing shortages within the departments.

Recommendations have been rated by priority: High, Moderate, Low, or Business Process Improvement.
The report contains 28 recommendations:
8 High – 30 days to complete
10 Moderate – 90 days to complete
10 Low – 180 days to complete
0 Process Improvements- No action required

¹ Total amount that could potentially be recovered from overpayments or other revenue sources.
The amount the County could potentially save annually by implementing recommendations. Cost savings may not be identified.
³ Based on recorded 2021 collections within Lawson. Approximately 80% of this total is then distributed to County municipalities, schools, libraries, etc.
⁴ The County Annual Budget includes operating appropriations from all County funds. Approx. 25% of this budget is from property tax revenue.

Audit Report Highlights

Real Property Process

October 2022

Background

Real Property is a parcel of land and everything that is permanently attached to the land. The owner of the parcel is responsible for yearly property tax payments that are made to the County.

All transfer of property ownership is processed and recorded by Transfer and Recording.

Appraisal determines and records valuation of properties.

Property tax rates and assessments are set by municipalities and tax districts in which the property resides. Property tax rates are computed in mills. One mill is the equivalent of \$1 of tax for each \$1,000 in property assessed value.

The Treasurer's Office sends out tax bills to all property owners and then records the collection of payments received.



What DIA Recommended

DIA provided Fiscal management with recommendations for improving internal controls. We provided these recommendations during fieldwork to lessen potential risks related to contract expenditures. Doing so during the course of fieldwork rather than at audit completion allows the department a chance to remedy identified issues immediately and have no surprises when the report is written.

The Fiscal Office is working to address the issues noted in this report. Based on their responses, we believe corrective action will be taken to mitigate the risks identified. Management responses follow each recommendation in the report. Recommendations we made for management included:

- Create, revise, and or approve Policies and Procedures for Fiscal Divisions as identified.
- Accounts Payable should be responsible for mailing out refund checks that go to property owners.
- Create documented procedures as to how triennial factors are calculated for groups of parcels and how exempt parcels are to be reviewed as part of the sexennial valuation.
- Work with Fiscal Microfilm to ensure that scanned files are properly indexed.
- Correct valuations of CAUV parcels between Sigma and MVP systems.
- Implement stronger internal controls around cash collections including the installation of new cameras, segregation of duties and the performance of reconciliations on system collection totals.
- Perform a more in-depth review of legal descriptions on documents.
- Fulfill current vacancies to ensure adequate and timely performance of controls or create alternative controls to further mitigate the risk created due to staff shortages.

Internal Audit would like to express our appreciation for the cooperation and assistance received from the Fiscal Office during this audit. The strides made help improve the County's efficiency and accountability.

Internal Audit Report

**Real Property Audit
Fiscal Office
January 1, 2021- December 31, 2021**

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CGMA, CFE, CIDA**

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Release Date 11/18/2022

INTERNAL AUDIT REPORT
Real Property
Cover Letter

October 24, 2022

To: Fiscal Officer Michael Chambers and current management of Fiscal Office,

The Department of Internal Auditing (DIA) has conducted an audit of the organization's processes and procedures relating to revenue and receivables of real property taxes for the period of January 1, 2021 – December 31, 2021. Our objective was to assess the adequacy, completeness, and accuracy of the revenue generation process for real property operations from appraisal to collection. Due to the uncertain implementation status of the Harris System, a review of the business requirements for reasonableness and consistency with operations was not performed.

To accomplish our objectives DIA conducted interviews with management and staff regarding the procedures that various departments perform related to the life cycle of real property taxes. The adequacy, completeness, and accuracy of real property was assessed through a review of the following areas:

Appraisal – determines real property valuations

Real Property – updates and maintains historical records of real property including ownership and transfer records; manages all real property tax credits; issues real property tax refunds

Transfer & Recording – manages public record filings for real property; collects the conveyance tax

Treasury – collects and processes all real property tax payments

Our audit procedures disclosed internal control weaknesses related to a lack of complete policies and procedures, segregation of duties or supervisor approval, accuracy of agricultural property values, and reconciliation of payment collections. Additionally, DIA noted a lack of documentation related to sexennial reappraisals and the rationale as to how triennial factors were arrived at for certain property classifications. This report provides the details of our findings. We are confident corrective action has been taken or will be taken to mitigate the risks identified in this audit report. We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing. 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 based on our audit objectives.

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may weaken.

DIA would like to express our appreciation to Fiscal Office staff and management, and interrelated departments that assisted throughout the process for their courtesy and cooperation during this audit. A draft report was provided to Fiscal Office management for review. Management responses are included within the audit report.

Respectfully,

A handwritten signature in blue ink that reads "Monica Houston". The signature is written in a cursive style with a large initial "M".

Monica Houston, CPA, CGMA, CFE, CIDA
Director of Internal Auditing

Cc: Cuyahoga County Council
William Mason, Chief of Staff
Greg Huth, Law Director
Michael C. O'Malley, Cuyahoga County Prosecutor
Catherine Tkachyk, Chief Innovation Officer (Executive Agency Audit Liaison)
Lisa Rocco, Director of Operations, Fiscal Office
W. Christopher Murray II, Treasurer, Treasury Administration

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Glossary

MVP	The current system utilized for the recording of property tax payments by Fiscal Office Real Property and Treasurer’s Office. It also maintains parcel information and values.
Harris System	The new in-development tax system that will replace MVP. Parts of the system will be utilized by Treasurer’s Office, Fiscal Office Real Property, and Transfer & Recording. <i>Note: The contract with Harris was terminated in September 2022. A new RFP will eventually be put out for a new tax system.</i>
Sigma (CAMA)	Appraisal system for the recording of parcel characteristics and values. This is imported into MVP.
Lawson	Cuyahoga County’s financial accounting system.
Ohio Administrative Code (OAC)	The rules adopted by the agencies of the state of Ohio. State agencies adopt rules to carry out the policies and intent of laws passed by the General Assembly. The rules are collected and published in the Ohio Administrative Code.
Real Property	A parcel of land and everything that is permanently attached to the land.
Ohio Revised Code (ORC)	Laws passed by the Ohio General Assembly of a permanent and general nature of the state as revised and consolidated into general provisions, titles, chapters, and sections.
DocRecorder	Software system used by Transfer & Recording during the audit period to file documents for public record and track collections from customers.
E-Recording	E-Recording refers to the electronic filing of documents for public record over the internet. E-recording allows customers to submit documents online to be filed by Transfer & Recording.

**International
Association of
Assessing Officers
(IAAO)**

Organization whose objective is to provide a systematic means for assessing officers to improve and standardize the operation of their offices.

T&R

T&R is an abbreviation for Cuyahoga County's Transfer & Recording Department, also known as Real Estate Services. Transfer & Recording operates to transfer and record documents conveying interest in land in Cuyahoga County.

**Ohio Department
of Tax Equalization
(DTE)**

State body that property values must be submitted to for approval to help ensure uniformity and fairness in property taxation. They also perform their own independent analysis of what percentage adjustments are needed during triennial updates.

Report Details

Purpose

The purpose of this audit was to conduct a comprehensive examination of the organization’s processes and procedures relating to revenue and receivables of property taxes.

The Audit Committee approved DIA’s 2021 audit plan to include an audit of Real Property however the audit was deferred to 2022. Real Property functions were identified as an area of higher risk on the Annual Risk Assessment due to the high volume of cash and checks received for property tax payments and transfer and conveyance fees for parcels. Additionally, there is a high number of parcels required to be valued by Appraisal for tax purposes. There is also a high level of public interest in the results of parcel valuation as property taxes are calculated on them. We conducted our review through inquiry and testing of collections, property tax refunds, and parcel valuation documentation.

The audit included review and evaluation of procedures, practices and controls as deemed necessary.

Audit Objectives

The objectives of this audit were to assess the following:

- Adequacy, completeness, and accuracy of the revenue generation process for real property from appraisal to collection.
- If departments involved were operating in a control conscious environment.

Control conscious environment
Adequate level of internal control awareness; proper separation of duties; existence of a proper monitoring system; appropriate authorization/approval of expenditures; and adequate safeguarding of financial, physical, and information assets.

Scope

To accomplish our objectives, we focused on the Fiscal Office Departments of Appraisal, Real Property, and Transfer & Recording as well as ancillary operations performed by the Treasurer’s Office for the audit period January 1, 2021 to December 31, 2021. Board of Revisions and Budget Commission both have a role in the real

property process but have not been considered as clearly within DIA jurisdiction. Interviews with management and staff were conducted to document the controls in place and determine if they were designed appropriately. Additionally, tests of transactions and controls were performed to determine if controls were operating effectively.

Methodology

DIA made inquiries to gain a general understanding of processes relating to the Appraisal, Transfer & Recording, Fiscal Real Property, and Treasurer's Office functions to assess their level of operational and compliance risk. DIA determined that the areas of higher risk that required further testing were the issuance of refunds by Real Property and Treasurer's Office, Transfer & Recording daily revenue collection/recording, and Appraisal's real property valuation methodology and support.

DIA performed testing over the issuance of refunds by Fiscal Real Property and the Treasurer's Office. DIA assessed if tested refunds had adequate supporting documentation, were performed with appropriate segregation of duties between parties that prepared the refund for processing and approval of for payment, and that the refund was justified, in the correct amount, and agreed to MVP totals. In addition, DIA inquired about the process of mailing refund checks to taxpayers.

DIA also performed testing over the valuation process performed by Appraisal Department. DIA reviewed that triennial valuation percentage changes for sampled parcels had adequate supporting documentation and that the supporting documentation had accurate data that justified any value changes from the previous valuation. DIA obtained a population of all parcels in the County. DIA's sample included a variety of different property classifications from various neighborhoods around the County. DIA also reviewed the previous valuation prior to the triennial valuation to assure that the recorded valuation agreed to supporting documentation and noted system recorded values. If that valuation was from the sexennial, that the appraiser indicated they reviewed and agreed with the valuation amount or that there was justification as to why another value was selected for the parcel. Also, that the appraiser's work was noted as reviewed.

DIA further performed testing over the Transfer & Recording processes relating to the collection, reconciliation, and recording of revenue received for sampled days. DIA reviewed the accuracy of system totals of daily payments received. These system totals were compared to amounts deposited with Treasurer's Office and posted to Lawson including in-person recording, E-recording and drawdown account balances. DIA looked for verifying signatures on the daily reconciliations and that the deposit

amounts were reviewed by a supervisor. DIA reviewed any variances between the system totals and deposit amounts or for any noted voids. DIA looked for noted justification for any variances and voids and supervisor approval of these processes. DIA also reviewed physical security relating to handling, counting, and storage of cash and checks received.

Finally, DIA reviewed any policies and procedures that were in existence for any of the departments' duties or processes and made recommendations for possible improvements.

Audit Procedures

Although every audit conducted by the DIA is unique, the audit process for most engagements consists of the following three phases:

- Planning
- Fieldwork
- Reporting

The planning phase of an engagement entails gathering sufficient understanding of the area being audited to identify and reduce key audit risks to an appropriate level. The DIA must document and develop a plan for each audit engagement, including the engagement's objectives, scope, timing, and resource allocation. This audit required significant planning as County operations for Real Property is cross functional in nature.

The fieldwork phase of an engagement entails executing the audit steps. This usually includes testing, reviewing, and analyzing data along with interviewing the appropriate personnel. Each audit has unique aspects and therefore the audit fieldwork and analysis performed on each audit segment should be customized for that assignment. See Methodology for a summary of fieldwork performed.

The DIA prepares written reports to communicate the results of each engagement. The format and nature of the report can vary depending on user needs and the type of engagement. Additionally, the DIA requires all engagements to receive an appropriate level of supervisory review and quality control as required by professional standards. At the time of report release, DIA resources required to complete the audit were as follows:

Stages		Actual Hours
Planning		750
Fieldwork		574
Reporting:		307
Review		88
Draft Report		219
Totals		1,631

Background

As part of the audit of the Real Property lifecycle DIA reviewed the following Departments:

- Appraisal
- Fiscal Office-Real Property
- Transfer & Recording
- Treasurer's Office

Appraisal

The County Appraisal Department is responsible for discovering, listing, and valuing over 525,000 parcels. The Ohio Revised Code (ORC) and Ohio Administrative Code (OAC) mandate that the County conduct a reappraisal every six years (Sexennial), an update every three years (Triennial), and annual valuation of improvements based upon building permits received from each city annually (Annual Maintenance). Below is an approximate

parcel count based on classifications:



Parcel Type	Count
Residential	445,264
Commercial	27,794
Industrial	7,261
Agricultural	200
Utilities/Highway	8,712
Mineral Rights	396
Exempt	37,077
Total	526,704

Sexennial Reappraisal

The last sexennial reappraisal was conducted in 2018. The County hires temporary appraisers and data entry clerks to assist the full-time staff in performing the reappraisal. Each parcel is viewed and valued by an appraiser. The County staff performs the appraisals on higher valued parcels and much of the Commercial & Industrial sector. The methodology used to determine the value of the parcel depends on the type of parcel. Residential parcels primarily use the Sales method, which values parcels based on comparable parcels or other recently sold parcels in the area with similar characteristics. Commercial parcels primarily use the Income method, which values parcels based on estimated net income after vacancy and collection loss and allowable expenses have been deducted from potential gross income. This is then divided by a capitalization rate for a value.

Triennial Update

The last triennial update was performed in 2021. The Residential triennial update is based upon sales data from the previous three years, with more weight assigned to the most recent year. The parcels in the County are broken down by municipalities and then further by neighborhoods. The sales data analysis determines by what percentage the properties in neighborhoods should be increased or decreased in value. The Commercial & Industrial update is based on sales as well as other relevant data.

Annual Maintenance

There is work that takes place on an annual basis by the Appraisal Department to update parcel values as well as the Real property Abstract that is sent to the State of Ohio Department of Taxation and Equalization. The report is an accounting of value

changes during the tax year. The largest portion of Annual Maintenance is the result of building and demolition permits for the municipalities in the County. The following are also aspects of Annual Maintenance:

- *Exempt Properties Determinations/Transfers*- Inspection of property tax exemption applications and review of exempt parcel transfers;
- *Mineral Rights*- Assigning value to parcels with oil or gas wells;
- *Subregister*- Valuation of newly created parcels and changing of parcel boundaries;
- *Current Agricultural Use Value (CAUV)/Agricultural District*- Receive applications for placement into programs and value based on soil type and crops produced;
- *Property Inquiries*- Periodic questions that may arise about the noted characteristics or value of a property.

Fiscal Office- Real Property



The Fiscal Office Real Property Division is responsible for keeping a complete historical record of all property transactions, property ownership, valuation, taxation, and collection for special assessments for public improvements. They also compute tax refunds and give credits based on decisions by the Board of Revision (BOR), Board of Tax Appeals, Appraisal, and the Courts.

There are several different divisions within Real Property. Each has their own staff. Below is a brief summary of each:

- *Homestead Exemption*- Responsible for reviewing and processing Homestead applications in accordance with ORC 323.152. An exemption of \$25,000 of the property market value is granted to property owners who meet age and income requirements.
- *Adder/Remitter*- Responsible for making value changes to parcels based on decisions by the BOR, Board of Tax Appeals, Appraisal, and the Courts. The value changes will impact the taxes due on the parcel. This may result in further taxes being owed or a surplus. Surpluses are automatically credited to future tax bills. Property owners may apply for a refund which Adder/Remitter staff will process

for a refund payment to be sent to the taxpayer. They will also process applications for the remission of penalties assessed for late payments of taxes.

- *Special Assessments*- Responsible for processing and inputting special assessments and taxes that are added to parcels by municipalities and utilities within the County. Special assessments could be for things such as capital improvements, utility system upgrades, street lighting and street maintenance, parks, and unpaid bills.
- *Exemptions*- Process applications for parcels that are requesting exemptions for all or part of their property. Exemptions are for governments, charities, and churches. The parcel is marked within MVP that an exemption is pending to avoid the foreclosure process. The state makes final determination on exemption status. If an exemption is granted this may result in a surplus of taxes paid and a refund or credit.
- *Manufactured Homes*- Responsible for processing all Manufactured Homes exemptions, value changes, tax changes, and applications. Manufactured Homes are not taxed like regular residential parcels. They are taxed in the current year (as opposed to a year in arrears like other real property). ORC 4503.06 governs how Manufactured Homes are taxed. There are approximately 1,800 manufactured homes in the County.
- *Forfeited Land Sales*- If a parcel is delinquent in taxes than the County may begin the foreclosure process. ORC 5721 regulates this process which also involves the County Treasurer's Office, Prosecutor's Office, and Clerk of Courts. The County issues an advertised delinquent list at the discretion of the Treasurer's Office. The Prosecutor's Office files a complaint to get the property forfeited to the State of Ohio. The property is offered for sale at Sheriff's auctions and to local Land Banks. If still not sold, then the County Fiscal Office may initiate a sale of the parcel. The money from the sale is collected by the Treasurer's Office and Real Property will assure that all outstanding taxes due are removed from the parcel for the new owner.

Fiscal Office- Transfer and Recording



The Fiscal Office County Transfer & Recording Department, also known as Real Estate Services, operates to transfer and record all documents conveying interest in real property in Cuyahoga County. Documents typically presented by customers at Transfer & Recording include deeds, affidavits, certificates of transfer, court judgment entries, mortgages, liens, leases, powers of attorney,

releases, right of ways and other easements. By recording documents, the County is maintaining a permanent record of every document pertaining to the conveyance and encumbrance of land that members of the public can search. The primary divisions of Transfer & Recording's office that provide services to the public are separated into the following functions:

- *Transfer-* Transferring property is the county's recognition that the ownership of real property has been conveyed from one party to another. This transaction requires Transfer & Recording to collect a Conveyance Fee comprised of a Mandatory Fee and a Permissive Fee as prescribed by ORC sections 319.54 and 322.02. This Mandatory Fee is 1 mill (\$1 per \$1,000 of the value of property transferred) and the Permissive Fee is 3 mills, for a total combined tax of 0.04% on the value of property transferred.
- *Recording-* Recordation, also often referred to as filing, is the county process of making a document public in a sequenced collection with other recorded documents. In the case of a conveyance document that has transferred real property ownership, Transfer & Recording will typically record that document immediately after the transfer. Additional documents which do not transfer ownership can also be recorded such as liens, leases, mortgages, powers of attorney and other items as stated in ORC section 317.08.
- *Quality Assurance-* The Quality Assurance division assists the Cashiers that perform the transfer and recording functions by first reviewing those documents to identify any errors. Most filings with Transfer & Recording are made by title companies and law firms that routinely deal in preparing documents for transfer or recording. These companies will send to Quality Assurance the document they intend to file for public record. Quality Assurance will review the document to identify any deficiencies and communicate them to the submitter so the issue may be remedied prior to submission for filing.
- *Indexing-* Indexing refers to the county's attachment of information to each recorded document so that real property records can be readily located. The indexing function allows the recorded documents to be searched on the county's website after they have been recorded.
- *Map Survey/Map Room-* Map Survey will review plat surveys for new plats filed with the County. Owners that wish to create a new plat by splitting a parcel into multiple parcels or changing dimensions of a parcel must receive approval from Map Survey who employs a licensed surveyor to ensure that the new plat is in accordance with ORC section 711, and the legal description and dimensions of the new plat are accurate and properly reflect metes and bounds.

Treasurer's Office

The Treasurer's Office, also known as the Treasury, is responsible for the investment and care of the County's near \$800 million portfolio. The Investment and Cash Management division works to maximize the county's assets through cash pooling and investment procedures in accordance with ORC 135.

The Treasury also collects approximately \$2.8 billion in tax revenue from property taxes on the county's approximately 525,000 parcels each year. This property tax is collected in a variety of ways including in-person, online, over the phone, mail, drop-box, or a kiosk located outside the Treasury's Cashier division. The Treasury has multiple divisions that work to collect the property taxes and assist taxpayers:



- *The Cashier's Division*- The Cashier's Division is located on the first floor of the County's Administrative Building giving taxpayers easy access to paying their property taxes in-person.

They accept a variety of payment forms including cash, check, and credit card.

- *Taxpayer Services*- Taxpayers that need information regarding their property taxes or that would like to be enrolled on a contractual payment plan to pay a delinquent tax debt can speak with representatives in Taxpayer Services. If the taxpayer is making agreed upon payments in accordance with a contractual agreement with the Treasury, the taxpayer's name will not be included in County delinquent tax publications, and the taxpayer will not be at risk of having his or her delinquent tax certificate sold at a tax certificate sale.
- *EasyPay Processing*- EasyPay is a program at the Treasury that allows the taxpayer to have its upcoming property taxes automatically deducted from the taxpayer's checking or savings account. The automatic debit for EasyPay can be semi-annual, annual, or monthly. The taxpayer must not be delinquent in its property taxes to enroll in the EasyPay program.
- *Quality Assurance*- Taxpayers that need assistance with tax payments that were applied to the wrong parcel or for a wrong tax collection period may petition Quality Assurance to have the payment be properly applied. Additionally, taxpayers that would like a refund of property taxes paid may petition Quality Assurance who will review the information and approve or deny the request. There were approximately 1,400 refunds issued by the Treasury during 2021.

Quality Assurance also processes requests for remission of penalty from late tax payments submitted on Ohio Department of Tax Equalization form 23A.

- *Tax Delinquency Response*- Tax Delinquency Response updates the tax payment status of parcel information in Treasury systems. Depending on the status of certain parcels, whether they are delinquent or current, different actions such as Sheriff's sale or foreclosure proceedings may need to be initiated.
- *Business Services*- Business Services collects the checks the Treasury receives from taxpayers' property tax payments at the Cashier's Division and through the mail. They also receive all checks received from other County departments who physically deposit funds through the Treasury or electronically with the bank. This process requires the scanning of checks into a computer system and transferring the checks' information to the bank.

Commendable Practices

We commend and thank all the Fiscal Office, Treasury, and any interrelated agencies for their cooperation during the audit. DIA especially thanks employees for their time during the audit. Based upon the results of our audit, we believe Fiscal Office and Treasury processes relating to real property are well-managed. Specific commendable practices that DIA noted during the audit include:

- The Treasury had lost all staff members assisting the Tax Collections Manager with processing refunds. Despite this staff shortage, the Treasury was still able to provide over 1,400 refunds for the benefit of taxpayers during the audit period.
- Transfer & Recording experienced considerable staffing shortages and hardships during the audit period that prevented staff from performing duties in-person at the Transfer & Recording offices. Despite these adversities complicated by the Covid-19 pandemic, Transfer & Recording managed to remain operational. Also, recognizing the need for flexible work options when staff cannot work from the office, Transfer & Recording proactively sought new software solutions designed to improve operations and minimize loss of productivity caused by inability to work from the office. Once operations restarted at the office, Transfer & Recording implemented new scheduling software for customers in response to Covid-19. This software provided customer appointment times and limited the number of people in line at the office to promote social distancing.

- The Appraisal Department has been able to conduct sexennial valuations in-house with assistance from temporary contract appraisers. This is done despite having a relatively small staff. Much of this is due to the level of experience of the staff. Many Ohio counties outsource the entire process to an outside contractor. Performing the sexennial in-house has resulted in a significant savings to the County.
- Fiscal Real Property appeared to process refunds appropriately to parties that required them due to a value change or granted exemption.
- Transfer & Recording employs fraud conscious procedures that aid in the protection of property owners from property transference fraud.

Priority Level Criteria for Recommendations

High (P1)	Highest-Ranking Officer's immediate attention is required. Corrective action is strongly recommended (<u>30 days</u>).
	<ul style="list-style-type: none"> • Financially material loss or potential loss • Lack of or failure of internal controls requiring considerable time and resources to correct • Non-compliance with laws, regulations, and policies resulting in significant loss of funds, fines, or restrictions • Significantly negative effect on the County's reputation or public perception
Medium	Senior Management's attention is required. Corrective action is recommended (<u>90 days</u>).
	<ul style="list-style-type: none"> • Financial loss or potential loss • Internal controls exist but they are not effective, or they are not consistently applied • Non-compliance with laws, regulations, and policies resulting in loss of funds, fines, or restrictions • Negative effect on the County's reputation or public perception
Low (P3)	Management's attention is required. Corrective action is recommended (<u>180 days</u>).
	<ul style="list-style-type: none"> • Financial loss or potential loss is minimal • Internal controls exist, but could be improved • Non-compliance with laws, regulations, and policies is a minimal risk • No effect on the County's reputation or public perception
Business Process Improvement (P4)	Management or supervisory attention recommended but not required
	<ul style="list-style-type: none"> • Process improvement recommendation • Financial loss or potential loss is minimal or not applicable • Non-compliance with laws, regulations, and policies is a minimal risk or not applicable • No effect on County's reputation or public perception

In an effort to assist the auditee in making the best use of their resources, we have prioritized the recommendations according to the table above.

Findings and Recommendations

General Real Property Revenue Findings

FINDING Create or Enhance Policies and Procedures

Fiscal Real Property, Appraisal, Transfer & Recording and Treasury do not have adequately complete and approved policy and procedure manuals.

The following areas were noted as needing to be addressed or enhanced:

- Appraisal- Duties, responsibilities, and processes of the staff and supervisors that work on the Triennial revaluation.
- Fiscal Real Property- Duties, responsibilities, and processes for all the staff and supervisors that work in various sub-divisions within Fiscal Real Property.
- Transfer & Recording- Duties, responsibilities, and processes of the Bookkeeper.
- Treasury- Duties, responsibilities, and processes of the Banker.

Policies and procedures are an important tool to reinforce management expectations of its employees, provide a source of training to new employees in the department, and to pass knowledge of operations onto other employees.

Fiscal Real Property, Appraisal, Transfer & Recording, and the Treasury may believe any policies and procedures, manuals, or documents currently in use are sufficient, however, they could benefit from more detail being added.

Fiscal Real Property has some “How To” documents available for employees that cover various tasks they may perform. They strive to have at least one more experienced staff member within each division to help answer any questions that may arise.

Appraisal has State approved plans for the sexennial reappraisal. There is also an informal procedure manual for annual maintenance events. However, the Triennial revaluation process is very data driven process that requires detailed statistical analysis that is not fully documented as to how all reports and analysis is performed. The Appraisal Department strives to follow the International Association of Assessing Officers (IAAO) standards for Ratio Studies as part of the triennial update process.

Transfer & Recording also has “How To” documents for its employees, however there is no document offering details of the Bookkeeper’s processes. Similarly, the Treasury has a manual for cash handling, but it does not detail the specific processes of the Banker.

Risk to the County if Not Corrected

Failure to have adequate internal guidance may result in unclear procedures that can lead to inconsistency in the operations as well as actions and discipline that are inconsistent with the intentions of management. It also makes it more difficult to document employee functions that can be utilized by other employees in those roles in the future.

Recommendations

1. (P3) Fiscal Office Operations and Treasurer's Office should create or revise policy and procedure manuals to reflect their current practices and desired daily operations for Appraisal, Fiscal Real Property, Transfer & Recording and Treasury. The policy and procedure manual should be approved by Fiscal Office management. It should also be reviewed and updated on a regular basis. At a minimum the following should be included:
 - Basic daily functions and procedures for the various divisions within the departments;
 - Basic functions and procedures for employee's roles during various processes relating to the department's activities, with particular emphasis on noted weaknesses in any existing procedures;
 - Time frame of steps;
 - List of reports that are to be produced and the storage of the record of these reports;
 - List of documents or processes that require supervisor review and approval;
 - Any documented standards that should be adhered to;
 - Procedures for usage of systems utilized by all departments (ex: MVP, Sigma, or new tax System)

Management's Response:

Real Property, Appraisal, Transfer & Recording and the Treasury will all work to update their Policies and Procedures manuals, focusing on adding more detail, including specific processes, workflows, statistics, etc.

Target Date of Completion: Ongoing process but status update can be obtained on 6/30/23

FINDING Staffing Shortages in Fiscal Office and Treasurer’s Office

It was noted throughout the audit that various functions were either not performed or were performed without proper controls, in part, due to lack of staffing.

DIA noted the following (*see relative findings for more detail*):

- Lack of segregation of duties related to the Treasurer’s Office refund process;
- Lack of review of legal descriptions of documents submitted to Transfer & Recording;
- Lack of controls around payment collection in Transfer & Recording;
- Lack of field review of all exempt parcels in Appraisal as part of the sexennial revaluation.

Having adequate staffing in departments is an important part of operating in a control conscious environment. A control conscious environment includes:

- Proper segregation of duties
- Existence of monitoring system
- Appropriate authorization or approval
- Adequate safeguards of assets and information

The following was noted in terms of vacancies for departments when comparing the current staffing of the departments, at time of audit, versus the number of vacancies as reported by the department:

- Treasurer’s Office: 35/46 FTE’s (11 vacancies)
- Transfer & Recording: 32/38 FTE’s (6 vacancies)
- Appraisal: 36/42 FTE’s (6 vacancies)

Risk to the County if Not Corrected

By not having adequate staffing in various departments there is an increased risk that proper controls would not be in place to have work completed in a manner that is expected by management, that errors go undetected, inefficiencies occur in processes, or excessive responsibilities are placed on employees.

Recommendations

1. (P3) Fulfilment of current vacancies is necessary in order to ensure controls such as segregation of duties are operating effectively and employed as intended.
2. (P3) Departments who are unable to fill vacancies should create alternative controls to address the weakness in controls caused by a lack of staffing. This may result in existing staff taking on more responsibilities.

Management's Response:

The Fiscal Office has been working with the Department of Human Resources in its attempt to fill all vacancies in each department of the Fiscal Office. The Fiscal Office has had many internal postings in 2022 pursuant to its current CBA and many external postings in 2022 through the Personnel Review Commission (PRC) pursuant to County Code each time a vacancy has occurred. There has, in each instance, only been a limited number of applicants for each posting.

Target Date of Completion: The Fiscal Office is working with the Human Resources Department, in an attempt, to fill all vacancies by the end of the 2022 year.

FINDING CAUV Parcels Not Correctly Valued in MVP

There was an instance in which the recorded value for an agricultural parcel in Sigma did not agree to the MVP recorded parcel value. Supporting documentation indicated that the Sigma value was the correct value. The parcel owner was taxed based on the incorrect MVP value, so the owner was over-taxed. The following table illustrates the difference between the systems for parcel value and tax bill.

	MVP	Sigma	Variance
Land	\$12,800	\$5,000	\$7,800
Building	\$173,800	\$173,800	\$-
Total	\$186,600	\$178,800	\$7,800
Tax Bill for 2021	\$4,386.92	\$4,203.53	\$183.39

DIA took a random sample of 60 of the 555,473 parcels that were listed within the Appraisal Sigma system for 2021. As seven of the parcels returned for testing would not be applicable to triennial valuations, DIA haphazardly selected an additional seven parcels that would be applicable. Below is a breakdown on the class of parcels selected for testing. The sample size approximately corresponds to the proportion of class type of the total population:

Class	No. Sampled
Residential	52
Commercial	6
Industrial	2
Exempt	5
Agricultural	1
Mineral Rights	1
Total	67

DIA was informed by the Appraisal Department that the problem was not an isolated incident and that other agricultural parcels were impacted in similar fashions. The below table has the impact of errors with other agricultural parcels as reported by the Appraisal Department:

Total Number of Parcels in CAUV Program	191
Number of Parcels with Land Value Errors	145
Number of Parcels Overvalued in MVP	121
Amount of Value Overvalued in MVP	\$1,145,200
Estimated Over Tax Collection @ 2.5%	\$28,630
Number of Parcels Undervalued in MVP	24
Amount of Value Undervalued in MVP	\$197,900
Estimated Under Tax Collection @ 2.5%	\$4,948

There is a provision in Ohio law that allows agricultural land to be valued to its current use rather than at its “highest and best” potential use. This provision of Ohio law is known as the Current Agricultural Use Value (CAUV) program. For CAUV parcels, the land is valued based on State determined values for soil or crop type. Any building on the parcel would be valued by regular appraisal methods. Appraisal will enter these values into an Access database. This is then imported into the Appraisal Sigma system, which holds parcel values. This is uploaded into the tax system, MVP, on an annual basis. MVP is where the tax is calculated for tax bills based on parcel values. Both Sigma and MVP should have the same recorded parcel value.

Values from Sigma were not properly uploaded into MVP for CAUV parcels. It is difficult for Appraisal staff to query information from MVP, and they are unable to properly compare all Sigma and MVP files to see if there are variances. Comparisons between Sigma and MVP can only be made by the Appraisal Department on an individual parcel basis.

Risk to the County if Not Corrected

Property tax bills are based on the assessed value of parcels made by the Appraisal Department. If the value recorded by Appraisal in the Sigma system does not agree to the MVP system than taxes will be incorrectly assessed to parcel owners. It was reported that 63% of the CAUV parcels were overvalued and 13% were undervalued.

Recommendations

1. (P2) The Appraisal Department should review all agricultural parcels and compare the recorded Sigma value to what was recorded in MVP. Any needed corrections needed to recorded value should be made in the appraisal or tax system.
2. (P2) If errors are detected, then Appraisal should submit any needed documentation to Fiscal Real Property to assure that any applicable refunds or credits get issued to taxpayers or, that adjustments are made to future tax bills to collect on under billed taxes.
3. (P2) Appraisal should investigate further as to why certain agricultural values were not properly updated into MVP and make corrective action to assure it will be fixed for future years.
4. (P2) Appraisal should also assure that reporting is available within the current tax system and when the new tax system is implemented to adequately compare the values within both systems for all parcel types in order to assure that a proper upload of values has occurred for the year.

Management's Response:

We agree with the Auditor's recommendations and are working with the IT Department to resolve valuation import errors. All import errors have been identified and corrections will be made for tax year 2021. Appraisal will work with IT to see if any reporting is available in current tax system to compare values.

Target Date of Completion:

1-2. All the 2021 CAUV parcels have been identified and the value corrections will be processed no later than 12/9/2022. All the 2022 CAUV parcels have been corrected and will be submitted to the State Tax Commissioner 10/26/2022 for approval.

3. Real Property Tax Administrator has granted Appraisal System Analysis CAUV batch updating rights directly into MVP Tax System eliminating potential errors. All batch updates will be reviewed, by parcel for accuracy. This will occur no later than 10/15/2022.

4. Appraisal, Real Property, and IT are currently working with Vendor (Aumentum Technologies) for the ability to run queries in MVP Tax System. No time schedule is currently available from Vendor. Request dates is 12/31/2022.

FINDING Exempt Parcel Valuation Procedures

Exempt parcels are not always field reviewed during the reappraisal process. There are also no written procedures detailing how exempt, non-Land Bank owned, parcel field reviews are to occur.

DIA selected a random sample of 60 parcels of the 555,473 listed within the Appraisal Sigma system for 2021 to verify property valuations are supported adequately. Five of these parcels were classified as exempt, meaning they are not subject to taxes. There was a total of 37,077 exempt parcels in 2021.

DIA noted the following:

- One of five (20%) exempt parcels reviewed was valued for the sexennial appraisal by a set of procedures that assigns value to Land Bank parcels at \$1,500 if the parcels can be developed but are not zoning compliant. These procedures detail how to value Land Bank parcels depending on their size, building record, and location.
- Two of five (40%) exempt parcels reviewed were not actually field reviewed as part of the reappraisal. However, they were valued by Appraisal personnel with a completed Cost Valuation Report (CVR).
 - One parcel was viewed in 2017 as part of an exemption determination application. The value was kept the same in the 2018 appraisal.
 - One parcel was viewed in 2017 as part of annual maintenance for the demolition of the building, which removed the building value. The value was kept the same in the 2018 appraisal.

Appraisal confirmed to DIA that not every exempt parcel is field reviewed during reappraisal. Appraisal removes such parcels as vacant land or lower valued parcels during the preparation of assigning exempt parcels for field review by appraisers.

ORC 5713.07 states in part *“The County Auditor, at the time of making the assessment of real property subject to taxation, shall enter a separate list which have been exempted from taxation by the tax commissioner. The auditor shall value such houses, buildings, property, and lots and tracts of land at their taxable value in the same manner as the auditor is required to value other property.”*

The State approved 2018 sexennial reappraisal plan noted that exempt properties would be field reviewed and valued by the County’s Appraisal personnel. It is also noted as part of the Abstract of Exempted Real Property that is submitted to the State Division of Tax Equalization (DTE) on an annual basis to report the value of exempt parcels in the county, *“Every six years, all exempt parcels are field reviewed for continued exempt use and valued for the Sexennial Reappraisal.”*

There is not a policy and procedure manual that details under what conditions exempt parcels are to be field reviewed or if another valuation procedure can be used, other than for Land Bank owned parcels. Additionally, there is a high number of exempt parcels in the County, and it requires considerable resources to field review all of them. Priority for review is given to parcels that have taxable value and higher valued exempt parcels.

Risk to the County if Not Corrected

Not having written procedures as to which exempt parcels get field reviewed increases the risk that the valuation is not occurring as indicated to the DTE or if the exempt parcel is still meeting the required exempt status criteria. This could lead to a loss of taxable parcel value to the County if the parcel is no longer meeting exempt status.

Recommendations

1. (P3) Appraisal should document in policies and procedures as to what the expectations are for field reviews of exempt parcels during the sexennial appraisal. Policies that the County is using for review of exempt parcels should be noted in sexennial appraisal plans submitted to DTE. The policies and procedures should address the following:
 - Document any administrative procedures for valuation of certain owned, sized, building status, or located exempt parcels;
 - Under what conditions would the previous valuation be acceptable to meet the conditions of the sexennial appraisal field review of all parcels i.e. if reviewed prior year as part of exemption determination or as part of annual maintenance;
 - Under what conditions a “desk review” or review using image mapping technology could be acceptable to meet field review standards;
 - Documentation requirements for the valuation of exempt parcels during a sexennial appraisal to be entered into Sigma.
2. (P3) If it is deemed necessary to field review each exempt parcel, then planning will need to be made to have staff availability and having completed documentation that shows the review was completed.

Management’s Response:

All exempt parcels have a 2018 Sexennial Reappraisal CVR report detailing land, building and total value. Appraisal agrees with Auditor's recommendations and have implemented a complete field review, data collection and valuation of all exempt parcels throughout the County. All valuation procedures are outlined in the 2024 Sexennial Reappraisal Project Plan.

Target Date of Completion: Field Review of all exempt parcels is ongoing and expected to be completed by 4/30/2024

FINDING C/I Triennial Procedures

While generally complying with the Ohio Administrative Code (OAC) and receiving approval from Ohio Department of Tax Equalization (DTE) for the total average increase or decrease for property class types, the Commercial and Industrial Appraisal Division does not document all the sources of information or judgements made in the determination of various factors utilized for triennial updates.

DIA took a random sample of 60 of the 555,473 parcels that were listed within the Appraisal Sigma system for 2021. As seven of the parcels returned for testing would not be applicable to triennial valuations, DIA haphazardly selected an additional seven parcels that would be applicable. Below is a breakdown on the class of parcels selected for testing. The sample size approximately corresponds to the proportion of class type of the total population:

Class	No. Sampled
Residential	52
Commercial	6
Industrial	2
Exempt	5
Agricultural	1
Mineral Rights	1
Total	67

Note: One of the Commercial parcels was a new construction and not a part of the triennial valuation process.

DIA noted the following:

- Seven of seven (100%) commercial or industrial parcels and the factors utilized for the adjustment of value in 2021 could not be demonstrated. This included which exact sources of information were used and to what extent to arrive at the factors on classes or groups of parcels as part of the triennial update.

OAC 5703-25-16 (B)(1) states *“The County Auditor (Fiscal Office) of a county in the third calendar year following a general reappraisal shall analyze local real estate sales that have occurred in the last three preceding calendar years together with other related information pertaining to real property values in the county. These studies should be designed to enable the auditor to increase or decrease the taxable valuation of parcels in accordance with actual changes in valuation of real property which occur in different subdivisions, neighborhoods, or among classes of real property in the county.”*

OAC 5703-25-06 (D) states *“In making this triennial update of the true value in money and the “taxable value” of each parcel of real property, the county auditor shall be guided by sales of comparable property for a like use; the sales ratio and other related studies compiled by the tax commissioner for the three calendar years immediately preceding the update year; by the increase or decrease in current building costs and changes in construction technique both after the proper application of depreciation and obsolescence; by the increase or decrease in the net rental income, expenses, and services for comparable property since the year in which the preceding sexennial reappraisal had been completed; and such other indications of increase or decrease in value as may be pertinent, such as test or sample appraisals on a current basis, where sales of real property are limited or in question.”*

Current policy and procedures do not require the Appraisal Department to document which sources of information or to what degree such was used to assign a factor to a group of parcels. Also, there are more variables considered when determining factors for commercial and industrial parcel values than for residential parcels, as allowable by OAC. Commercial and industrial parcel values are not typically determined based solely on sales as residential values often are. Other factors may include;

- Land Use Codes (LUC) and Land Use Groups (LUG) that group together similar types of properties by location or by usage;
- State approved factors that the County must be within an acceptable amount of;

- CoStar web service used for sales, tenant, lease comparables, and other market and analytic information;
- Capitalization rates that are used to estimate or compare the rates of return on commercial properties;
- Appraiser knowledge of the area or industry;

Risk to the County if Not Corrected

Not having written procedures or detailed and documented decision points for factors selected during the triennial update may result in inconsistency in the valuation process.

Recommendations

1. (P3) The Commercial and Industrial Division should create written policy and procedures for triennial updates that shows at a minimum the following:
 - The flow of steps that are taken by appraisers in the process of assigning factors for the establishment of new values;
 - Process of recording and documenting the data or sources of information that was utilized for the factor selected for a group of parcels;
 - The extent or weight that was placed on the information in order to make decisions for the factor for a group of parcels. *This step would be more as needed for particular triennial updates as they are completed.*

Management's Response:

We agree with the Auditor's recommendations and will implement new policies and procedures prior to the 2027 Triennial Update.

Target Date of Completion: 1/1/2026

FINDING Missing Sexennial Valuation Documentation

Sexennial reappraisal records cannot be located. During testing of property values, Reappraisal Valuation Sheets for some parcels could not be located or provided. DIA noted the following:

- 1 of 52 (2%) Residential parcels.
- 2 of 7 (29%) Commercial/Industrial parcels.

During the sexennial reappraisal, appraisers verify all valuations for every parcel on valuation sheets (Valuation Sheets) as documented by recording of their initials. All Valuation Sheets are submitted to Appraisal Department staff for review and data entry. After the Appraisal Department has entered values into the Sigma CAMA system, the initialed Valuation Sheets are sent to Fiscal Microfilm for scanning and storage.

Appraisal Record Retention Schedule 2017-70 & 2017-71 state; paper Residential Reappraisal Valuation Sheets are to be retained seven years or until scanned to a digital image. Electronic Residential Reappraisal Valuation Sheets are to be retained seven years.

Physical records were stored in an unorganized fashion and not in sequential order. Fiscal Microfilm scans were made of all the documents however were not indexed in a way that would allow location of specific parcels. Appraisal Department staff typically does not have a business need for sexennial reappraisal documents after values have been entered.

Risk to the County if Not Corrected

By not being able to locate or provide reappraisal valuation documentation the Appraisal Department may not be able to substantiate property valuations. Additionally, improperly retaining records results in a lack of compliance with the approved Record Retention Schedule. This may result in the inability to comply with public record requests in a timely manner or to provide the requested information at all.

Recommendations

1. (P3) The Appraisal Department should work with Microfilm to ensure that scanning of documents is completed and retained in accordance with the Record Retention

Schedule. Also, to ensure that documents are properly indexed so they may be quickly located.

2. (P3) If scanning cannot be properly indexed, then physical records should be stored in a manner that will allow for easy location of documents.

Management's Response:

1. All the 2018 Residential "Blue Book" pages were scanned immediately following the Sexennial Reappraisal. These images were stored on the shared drive for approximately (2) years. Without notice the IT Department removed scanned images. Once the Appraisal Department became aware of this situation the Microfilm/Scanning Department was notified. To date the Scanning Department has been unable to restore these files. Appraisal will inform Microfilm that documents are to be scanned and stored according to retention schedule and should remain available in an organized fashion to Appraisal and not be removed from shared drive until end of retention schedule.

2. All the 2018 Commercial/Industrial Cost Valuation Reports (CVR's) are permanently stored in the County's CAMA system and can be reproduced at any time. The original documents were either lost or misplaced by the Microfilm/Scanning Department. Appraisal will inform Microfilm that documents are to be scanned and stored according to retention schedule and should remain available in an organized fashion to Appraisal and not be removed from shared drive until end of retention schedule.

Target Date of Completion: 5/31/2023

FINDING Annual Maintenance Permits Database

Annual Maintenance permits are received from various municipalities throughout the County in different formats; physically mailed, electronic PDF's or Excel. Some of these formats are not compatible with the CCAMP database. When permit information cannot be directly imported, Appraisal staff must enter all the permit information into the program manually.

On an annual basis municipalities send permits for new construction, additions, and demolition on properties in their jurisdiction to the Appraisal Department. Appraisal receives this information and ensures its input into the Cuyahoga County Annual Maintenance Program (CCAMP). CCAMP is utilized to track and organize received permit information, prepare information for review, and to print Field Inspection sheets, which are given to appraisers to take into the field to value the changes. Once the Field Inspection sheets are returned, changes in value are entered into the system that holds parcel values, Delta Track. The change in value impacts the amount of taxes due on the parcel and the amount that is distributed back to the municipality.

The County has not established a format in which to receive permit information from municipalities on an annual basis.

Risk to the County if Not Corrected

Failure to have an established process or format in place for the receipt of annual permits from municipalities makes it more time consuming for staff to enter the information in a way that is usable to the AME system. It also increases the risk of errors and omissions.

Recommendations

1. (P3) Appraisal should establish a standardized format for use by municipalities in the submission of annual permit information. A template that is compatible with the import function of the CCAMP database should be created, provided to the municipalities, and required for use in submissions.
2. (P3) It should be communicated to the municipalities that any permits submitted in a format that is not compatible with CCAMP database will not be accepted for review. This communication should have the support of Fiscal Office Management.

Management's Response:

1. ***We agree with this recommendation. The Appraisal Department has recommended standardizing the permit process over the last 20 years with no support of the municipalities and/or the administration.***
2. ***The Appraisal Department has the support of the Fiscal Officer, however, has lacked support from the administration to make changes to current process. Appraisal will attempt to propose a standardized format for permit submissions.***

Target Date of Completion: 8/31/2023

FINDING E-Recording Discrepancies and Lack of E-Recording Reconciliation

Transfer & Recording lack controls to validate the accuracy and completeness of E-Recording ACH collections. Upon receipt of the E-Recording vendors' daily reports, Transfer & Recording records an ACH deposit in the County's accounting system (Lawson) for the amount reflected in the reports. Comparison of DocRecorder records to the vendors' daily reports to ensure accuracy and completeness is not performed. During testing of receipts of 25 days, DIA noted occurrences of discrepancies in daily E-Recording collections reported among DocRecorder, Lawson and E-vendor daily reports and thus DIA was unable to validate the accuracy of receipts.

It should be noted that the practice of accepting E-Recordings was discontinued effective January 1, 2022 however will be reinstated upon the implementation of a new document filing system replacing DocRecorder.

Transfer & Recording's DocRecorder system tracks the recording of documents filed for public record. During 2021, documents could be submitted for filing both in person and electronically. Electronically filed documents (E-Recordings) are submitted by one of three vendors. Transfer & Recording staff will log into the vendor online portals to obtain the documents to be filed. The Cashier will complete the filing within DocRecorder, record the payment as received by check, and provide the vendor a document number to confirm completion. Payment for E-Recordings are recorded as a check payment as the current DocRecorder system only allows for recording payments as either cash or check. E-Recording vendors are to make payment for all confirmed filings the following business day via an Automated Clearing House (ACH) transaction. The E-Recording vendors provide a daily report which should include all itemized document filings supporting the total of their ACH payment.

As a best business practice and to avoid an increased risk of error or fraud, the collections in Transfer & Recording's system for E-recording should be validated by reconciliation to the deposits in Lawson.

Transfer & Recording was not aware of the need to reconcile E-Recordings revenue and receivables to identify discrepancies among Lawson, E-vendor reports, and DocRecorder. Therefore, processes to regularly perform E-Recording reconciliations were not implemented.

Risk to the County if Not Corrected

The risk of error or fraud increases when system collection totals are not reconciled to amounts reported in Lawson. Errors and misappropriated funds can impact the total amount of funds collected or accounted for by a department and may lead to inadequate funds for operational needs or management making decisions based on misinformation.

Recommendations

1. (P1) Prior to reinstating the practice of performing E-Recordings, Transfer & Recording should develop and document a procedure to perform daily reconciliations of E-Recording collections in its system to activity within Lawson. These reconciliations should be performed by a Bookkeeper or other staff member and reviewed/approved by management.

Management's Response:

The e-recording process was setup under a previous administration and was initially limited to a small percentage of the overall volume of recorded documents. The processing and collection of requisite fees through the e-recording vendors was setup in consult with General Accounting. This process was supposed to be completely changed as part of the Harris Govern Project. As that project continued to extend launch dates over the next 4-5 years, we were forced to maintain this process. Due to the delays, Transfer & Recording began the process of finding a new software application for both recording and e-recording functions in the beginning of 2021. We entered into a contract with Kofile Technologies in February of 2022 who have launched their new system Sept. 19, 2022. After a total lack of support from the 3 vendors during the pandemic, the county cancelled the contracts with these vendors effective 1/1/2022. Kofile's new e-recording system should launch in November of 2022 which will provide a robust solution and the ability to reconcile seamlessly with Infor. The department bookkeepers have already received several hours of training in the Kofile GovOS system and the various reports available to them to monitor and reconcile all funds received.

Target Date of Completion: 11/30/22

FINDING Lack of Drawdown Account Reconciliation

Transfer & Recording does not perform reconciliations for drawdown accounts.

Transfer & Recording will deposit any daily net increase to all drawdown accounts to the Lawson fund. When there is a daily net decrease in drawdown accounts, Transfer & Recording does not record use of the drawdown funds within Lawson. Thus, resulting in an overstated balance of the drawdown fund and understated revenue of recording revenue within Lawson. Additionally, DIA noted during review that:

- County Fiscal Department performed irregular correcting entries in Lawson to match the drawdown balance to the DocRecorder system however an actual reconciliation did not occur to ensure accuracy.
- Several Transfer & Recording deposits intended for the drawdown fund were recorded as revenue when initially received.

Regular customers who file documents for public record, such as title companies and attorneys, often have a drawdown account with Transfer & Recording. Drawdown accounts are prepaid accounts which customers may use when funds are needed. For example, when a title company's check to file documents is too high, the excess funds can be applied to their drawdown account to be used on future filings. Individual customer drawdown balances are tracked within DocRecorder. Drawdown accounts has its own fund within the County's accounting system Lawson.

As a best business practice and to avoid an increased risk of error or fraud, the collections and use of drawdown accounts should be reconciled to Lawson.

Transfer & Recording was not aware of the necessity to record use of drawdown accounts as revenue in Lawson or perform regular reconciliation.

Risk to the County if Not Corrected

The risk of error or fraud increases when system collection totals are not reconciled to amounts reported in Lawson. Errors and misappropriated funds can impact the total amount of funds collected or accounted for by a department and may lead to inadequate funds for operational needs or management making decisions based on misinformation.

Recommendations

1. (P1) Going forward, Transfer & Recording should perform and document regular reconciliations of drawdown account collections in its system to activity within Lawson. These reconciliations should be performed by a Bookkeeper or other staff member and then reviewed and approved by management. Reconciliation of the drawdown account

balances should occur prior to issuing a refund to any customer that maintains an account.

2. (P1) Transfer & Recording should work with Fiscal Department Financial Reporting to perform a reconciliation of drawdown accounts for all 2022 activity to ensure an accurate balance is maintained. In performing this reconciliation, Transfer & Recording should ensure that:
 - a. Drawdown account collections are allocated to the proper Accounting Unit and Account Number within Lawson; and
 - b. Net amounts removed from drawdown accounts, as well as net amounts deposited into drawdown accounts, are accounted for within Lawson.

Management's Response:

The drawdown accounts were initially created under the previous elected Recorder's office. The Docrecorder software utilized to track these funds was developed by a company (Broma Technologies) that went out of business in 2010. The counties IT department did not possess the source code to the application, and they were therefore extremely limited in its ability to provide traditional maintenance. The reporting functions in the system are very limited and cannot be edited or updated to provide better detail to the bookkeepers. The Docrecorder system was scheduled to be retired as part of the Harris Govern project which was originally scheduled to launch in November of 2018. The plan has always been to retire the drawdown accounts and replace them with company accounts wherein we would utilize ACH payments instead. As the Harris project continued to extend launch dates over the next 4 years, we were forced to maintain this process. Due to these delays, we began the process of finding a new software application for both transfer, recording and e-recording functions in the beginning of 2021. We entered into a contract with Kofile Technologies in February of 2022 who have launched their new system Sept. 19, 2022. We have officially ceased the use of drawdown accounts as of September 16th, 2022. Kofile's recording system provides a robust solution and the ability to reconcile seamlessly with Infor. The department bookkeepers have already received several hours of training in the Kofile GovOS system and the various reports available to them to monitor and reconcile all funds received.

We will complete an Audit of the Drawdown accounts and refund any balances to the respective companies. For accounts wherein the company is no longer in existence, the funds will be forwarded to the Ohio Unclaimed Funds division of the Ohio Department of Commerce.

Target Date of Completion: 12/31/22

FINDING Legal Description Review

Transfer & Recording (“T&R”) does not consistently ensure the accuracy of legal descriptions contained on every document presented at its office for transfer. Although QA Clerks perform cursory reviews on legal descriptions not containing metes and bounds, those legal descriptions containing metes and bounds are not consistently inspected and approved by T&R.

As a best practice, any transfer or recording document should contain accurate information. The accuracy of the legal description determines the dimensions of the real property being transferred as referenced in Ohio Revised Code sections that require legal descriptions be stated in conveyance documents (e.g., ORC sections 5301, 5302, and 5313).

Parcels are often platted on a map and assigned a lot number. This lot number is referenced in a transferring document such as a deed. When lots have not been platted, a metes and bounds legal description is required. Metes and bounds legal descriptions describe the math of the described property lines that circumscribes the perimeter of the parcel (metes) and cite what each line is bounded by (bounds). They are often long, technical and can easily include errors if the document preparer is not diligent in accuracy of input.

There is limited staffing to analyze each legal description as the Map Survey division only has one licensed surveyor who shares his time with the Department of Public Works. Also, Cashiers are not trained to check legal descriptions for complete adherence to the original legal description. The large volume of documents containing legal descriptions that are used to transfer property or make a recording each day makes it impractical for T&R to review each one for complete accuracy. Further, T&R endured notable operational hardships (e.g., Covid-19 restrictions, staffing shortages, and on-site working constraints) which caused its internal policies to deviate from ordinary practices, causing inconsistent review of legal descriptions.

Risk to the County if Not Corrected

Inaccurate legal descriptions can create circumstances where the county accepts and records multiple documents that transfer the same geographic areas. Deficient legal descriptions also may not accurately describe any geographic area that exists within the county, and thus are ineffective to state that any real property is being transferred. Confusing legal descriptions can also encourage lawsuits between property owners to resolve land disputes.

Erroneous legal descriptions contained in recorded documents may expose the county to liability based on negligence in performing duties as found in ORC 5310.50. Deficient recording practices in the county may also implicate the Ohio Treasurer of State under ORC 5310.08.

Recommendations

1. (P2) Transfer & Recording should hire another licensed surveyor, or train another employee, to perform an in-depth review of legal descriptions from the numerous transfer and recording documents that are filed with the county every day. If it is not feasible to review each legal description, this review process should aim to inspect as many legal descriptions as possible to ensure they conform to the parcel's accurate legal description.

Management's Response:

We concur that the tax map surveying division is extremely understaffed with two of the three budgeted CAD Technician positions currently vacant. HR has thus far been unsuccessful in providing us with candidates to interview after multiple postings. Quality Assurance personnel have been provided with training to assist with the more basic metes and bounds descriptions. The new E-Recording platform being developed by Kofile Technologies (the Recording system vendor) will provide a process which will forward any transfers containing a metes and bounds description to the surveying division for review and approval of the counties transfer standards. In the meantime, we are also requesting that all title companies submit all metes and bounds transfers for review through the Property Inquiry Portal. The Quality Assurance division will review and apply a digital stamp to the PDF copy of the transfer document. They will consult with the surveying division as needed depending on the complexity of the legal description being reviewed.

There is however not a need to review platted descriptions (Sublot, plat volume & page or plat AFN), as they can be easily verified by the transfer staff by comparing the abbreviated legal information located in MVP with the transfer document.

Once the CAD Tech. positions are filled, they will resume the responsibility of reviewing all metes and bounds descriptions.

Target Date of Completion: 6/30/23

FINDING Lack of Internal Controls

Transfer & Recording's cash collection processes lack effective internal controls.

During the audit, DIA noted internal control deficiencies including:

- Cashiers do not sign a document vouching for their \$20 beginning and ending balances at the start and finish of each workday.
- No cameras are focused on the deposit safe where the Cashiers place their cash and checks or on Bookkeepers who count and prepare the funds for deposit with the Treasury. However, there are cameras viewing the Cashiers' workstations.
- Voids of transactions can be unilaterally approved by the Bookkeepers who also reconcile the Cashiers' collections and prepare the cash and checks for deposit at the Treasury.
- A Bookkeeper performs cash and check collections in limited instances, in addition to normal duties of reconciling those collections and delivering them to the Treasury.
- The Transfer & Recording system reports supporting the amounts deposited with the Treasury are not uploaded into Lawson. To detect whether funds are being omitted from the Bookkeeper's entries into Lawson, system reports would have to be compared to information input into Lawson. Management does not perform this reconciliation of system and Lawson information.

As a best business practice and to avoid an increased risk of error or fraud, proper cash collection internal controls should be in operation. Such controls would include but not be limited to:

- Record of the Cashiers' beginning and ending balances should be maintained. This record can be created by Cashiers vouching in writing that they had their required beginning and ending balances.
- Areas where cash and checks are maintained in the Transfer & Recording office should be under camera surveillance.
- Voids should be approved by a manager that does not also collect, reconcile, or deliver payments to the Treasury.
- The Bookkeeper who reconciles funds collected to system information should not also collect funds as a Cashier, even in a limited capacity.
- Management should perform and document reviews to ensure system totals match the amounts being entered into Lawson and deposited with the Treasury.

Transfer & Recording was not aware of deficient internal controls as there were already some effective controls in place such as cameras at the Cashiers' workstations, placement of funds in a deposit safe, and the Bookkeepers generally being separate from the cash collection process.

Also, notable staffing shortages and operational hardships exacerbated by the COVID-19 pandemic diverted management's attention from the improvement of internal controls.

Risk to the County if Not Corrected

The risk of error or fraud increases in the collection, reconciliation, and delivery to the Treasury of funds when effective internal controls are not established. Errors and misappropriated funds can impact the total amount of funds collected or accounted for by a department and may lead to management making decision based on misinformation.

Recommendations

1. (P1) Cashiers should document their custody of the \$20 beginning and ending bank balances each day. This documentation can be on a standardized form that the Cashier signs at the beginning and end of the day that includes any explanations there may be for out of balance amounts. These forms should be regularly reviewed by management.
2. (P1) Cameras should be installed and focused to record the deposit safe area and the Bookkeepers' workstations.
3. (P1) Bookkeepers should not void transactions. Only a manager that does not collect, reconcile or deliver funds to the Treasury should have authority to void a transaction.
4. (P1) Bookkeepers should be restricted from performing cashier transactions.
5. (P1) Transfer & Recording system reports should be uploaded into Lawson. Management should document its review and approval of the Bookkeeper's reconciliation of system totals to information input into Lawson. This can be accomplished on a form that shows the system and Lawson totals submitted for a day with management's sign-off.

Management's Response:

- ***The new Recording System, Kofile GovOS which was launched on Sept. 19, 2022 requires the Senior Account Clerk to confirm their beginning balance by entering their Active Directory credentials and requires the clerk to reconcile their drawer to ensure that checks & cash match system totals.***
- ***We can put in a request with Public Works and/or GEIS to see what the cost would be to add the additional cameras. If approve by the Fiscal Officer, we can submit the order to install them.***

- ***The new system requires a supervisor to approve all voids.***
- ***Over the past two years we were at times so incredibly short staffed everyone including the department administrator had to process transfer and recording documents. This was a pandemic emergency measure only.***
- ***The developers from Kofile GovOS are going to meet with Infor technical staff to develop a API to automate this process. The date for completion has not yet been determined.***

Target Date of Completion: 6/30/23

FINDING Lack of Controls Around Refund Process

During interviews and testing of Real Property originated refunds, DIA noted:

- A. Nine of the 60 (15%) tested refunds did not have documented supervisor approval or a 2nd staff initial, indicating that the support had been reviewed and the refund was appropriate.
- B. Real Property has Accounts Payable hold the refund checks that are processed for taxpayers and picks them up to mail to the taxpayer directly. Additionally, refund checks that are going to the Treasurer's Office for deposit, resulting in a credit in the property tax system, are picked up by Real Property at Accounts Payable and physically walked to Treasurer's Office for deposit.

Refunds are issued by the Fiscal Office Real Property Department when changes in property valuations impact taxes due or for retroactively granted exemptions, credits, or penalty remissions. There are no written policies and procedures regarding the process for the issuance of refunds.

The process for refunds that are requested by a taxpayer requires the signature of the staff member that processed the refund and a supervisor approval. A refund that is not requested by a taxpayer will result in a check being issued to the Treasurer's Office for deposit into the taxpayer's account. These refunds only require the signatures of the staff member that prepared the refund and a second staff member that reviews it. Refunds which occur as a result of a retroactively granted Homestead exemption or Owner-Occupancy credit are performed within MVP and do not require any verifying signature other than the staff that prepares it.

Once the refunds are verified, by approving personnel, Real Property sends a warrant request to Fiscal Accounts Payable for processing and for the check to be cut.

These was due to the following:

- A. Approval or verification has not been required for a supervisor or second member for system generated refund types like Homestead exemptions and Owner-Occupancy credit.
- B. Refund checks are picked up by Real Property after preparation by Accounts Payable in order to ensure that the checks are properly mailed out to the taxpayers and so they can track what day they were sent.

Risk to the County if Not Corrected

- A. Lacking supervisor or second verification on supporting documentation for refunds issued increases risk that the refund may not have all necessary documentation or that the refund is being appropriately issued.

- B. By not having Accounts Payable mail out checks, Real Property is subverting a fraud control that helps to prevent check fraud. Failure to allow the Fiscal Office to mail all checks directly to the payee can result in mishandled monies and the potential for fraud to occur.

Recommendations

1. (P2) All refunds or credits to taxpayer accounts should be reviewed and properly authorized by a supervisor or a responsible second party who is independent of the process.
2. (P2) Refund checks that are going to be sent to taxpayers should no longer be picked up by Real Property. Accounts Payable should mail the checks to the noted addressee.
3. (P2) Real Property should assure that the new tax system will have the functionality to credit taxpayer accounts if they are not requesting an actual refund as opposed to sending checks to the Treasurer's Office for deposit.
4. (P2) The approval process for refunds should be documented as part of written policies and procedures. (*See Create Policies and Procedures finding*)

Management's Response:

1. ***All refunds will be verified by a supervisor, senior support specialist or responsible second party.***
2. ***Taxpayer refunds are no longer picked up by Real Property but are mailed directly from Accounts Payable.***
3. ***Real Property is working with the current tax system to develop a process that will eliminate Treasurer refund checks and have refunds be credited to owners.***
4. ***Current refund verification process has been documented as part of the written policies and procedures and saved as "Processing a Refund" on shared drive.***

Target Date of Completion: Recommendations have been implemented

FINDING Lack of Segregation of Duties

Property tax refunds issued by the Treasury Department lack appropriate segregation of duties. Refunds are solely processed and approved by the Tax Collections Manager. Taxpayers submit requests for refunds to the Tax Collections Manager. Other divisions in the Treasury may also contact the Tax Collection Manager to apprise them of when a taxpayer is due a refund through the Treasury's refund process. For all refunds, the Tax Collections Manager reviews the request and relevant information in the MVP system, and then approves or denies. The Tax Collections Manager sends the approved refunds to Fiscal Accounts Payable who then issues the refund check to the appropriate party as directed by the Tax Collections Manager. No other employee reviews or approves the work of the Tax Collections Manager.

Segregation of duties is a best business practice and primary concept in a system of internal control. Segregation of duties is implemented to reduce the risk of errors and fraud. Duties within a department should be segregated so that one person does not perform processing from the beginning to the end of a process. The approval of a refund should be made by a different person than the one processing it.

The Treasury was not aware of the necessity for segregation of duties over the refund process. The lack of segregated duties in the refund process began when two Senior Account Clerks who performed refund processing both left Treasury. Refund processing was then solely performed by the Tax Collections Manager who would also approve the refunds.

Risk to the County if Not Corrected

Without adequate segregation of duties, the risk increases that refunds may be issued in error or that funds may be diverted.

Recommendations

1. (P2) The Treasury should assign a separate individual to process refund requests by gathering documentation of MVP system records that support the refund amount and the party to be refunded. This information should be presented to the Tax Collections Manager who would document approval or denial of the refund. Alternatively, the Tax

Collections Manager can perform the refund processing, but approval required to be made by another manager.

Management's Response:

We agree with Internal Audit recommendations and will work on implementing recommendations.

Target Date of Completion: March 1, 2023