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Recorder's Office Internal Audit

BACKGROUND

Illinois Compiled Statute 55 ILCS 5/3-5001, Chapter 34, governs the Kane County (County) Recorder's Office.

In Counties with populations of 60,000 or more inhabitants, the County Recorder is an elected position. County Recorder Sandy Wegman is the current elected County Recorder, and has been the County Recorder since 2000. She currently maintains four funds:

- (1) General fund account (001.210),
- (2) Special revenue account "Recorder's Automation Fund" (170.210),
- (3) Agency fund account "Recorder's Rental Surcharge" (724), and
- (4) Agency fund account "State Real Estate Transfer Tax" (761)

**Note special revenue account "Rental Housing Support Surcharge" (171.210) was under the control of the Recorder during the time of this audit, however, use of the fund was discontinued in 2013 and was excluded from the scope of the audit.*

The Recorder's office is the official document repository and historian of property ownership within the County. Property ownership records may include transfer of property deeds, mortgages, liens, releases, plates and many other recordings dating back to 1837. Its office provides public access of records by means of an automation system, which the public can access, and research the history of land and chain of title for property within the County. The Recorder's office indexes original tract books, grantor/grantee books or mortgagor/mortgagee books and microfilmed for public access and search purposes. Effective January 1, 1995, the Illinois Legislature enacted a revision to the Recording Act which provides for the standardization of recorded documents. More information, including a document recording price list, go to, www.kanecountyrecorder.net.

The Recorder's office offers an electronic partnership with the State of Illinois called, "MyDec", which is an online real property transfer tax declarations system that allows individuals, law firms, and settlement agencies (title companies) to file transfer tax declarations online, and view declarations already created. Additionally, users can track the status of, and make corrections to the declarations during the recording process. For more information visit "MyDec" website, www.mytax.illinois.gov/MyDec.

The Recorder's office offers a free service called "Property Watch," that property owners can sign up online that will automatically email a property owner whenever a transaction occurs on the property. For more information, visit the Recorder's website at www.kanecountyrecorder.net.

Following is a table that references revenues and expenditures for the “Recorder’s Automation Fund” (170.210) for fiscal years 2012-2016:

Special Revenue Funds	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revenues					
Charges for Services	\$ 362,200	\$ 391,695	\$ 290,985	\$ 780,034	\$ 800,500
Miscellaneous Other	3,530	123,608	2,250	2,493	3,963
<i>Total Revenues</i>	<i>365,730</i>	<i>515,302</i>	<i>293,235</i>	<i>782,527</i>	<i>804,463</i>
Expenditures					
Personnel Services	162,475	129,410	158,206	142,337	165,912
Benefits	50,906	41,404	47,683	48,447	67,066
Contractual Services	346,165	264,952	306,953	300,930	315,081
Commodities	63,121	45,864	23,752	50,026	53,972
Capital Outlay	174,495	107,003	58,050	42,750	28,250
<i>Total Expenditures</i>	<i>797,162</i>	<i>588,633</i>	<i>594,644</i>	<i>584,490</i>	<i>630,281</i>
Other Financing Sources (Uses)					
Transfers from Other Funds	-	-	27,714	-	-
Transfer to Other Funds	-	-	-	-	-
Net Change in Fund Balance	\$ (431,433)	\$ (73,330)	\$ (273,695)	\$ 198,037	\$ 174,182

Notes to the above chart referencing revenue and expenditures:

- “Charges for Services” – Revenue derived from the collection of several sources such as, recording fees and GIS fees. Recording revenues relate to real estate documents, non-real estate related documents, etc. The recording revenues above report increases year to year, with the exception of fiscal year 2014. Fiscal year 2014 reported a decline in revenues due to the number of recordings in real estate property foreclosures and property sales, reflective of the economic conditions in the real estate market.
- “Miscellaneous Other” – Revenue derived from investment income and a onetime deposit from the State of Illinois. Fiscal year 2013 reports a deposit on June 4, 2013 from the State of Illinois for \$122,709.07, resulting from a \$2.1 billion settlement the State of Illinois received from a lawsuit addressing allegations that Ocwen Financial Corporation was “robo-signing” foreclosure documents and other fraudulent practices while servicing loans of struggling homeowners. For more information, visit the Recorder’s website at www.illinoisattorneygeneral.gov/pressroom/2013_12/20131219.html.
- “Personnel Services” – Expenditures under this expense category is for employee payroll to support the “Recorder’s Automation Fund”.
- “Benefits” – Includes County share of employer FICA tax, Medicare tax, health insurance, dental insurance and IMRF.
- “Contractual Services” – Costs related to the support/maintenance of the Recorder’s computer/server equipment. The Recorder’s office maintains a contract with IT Stability Systems, LLC. Other costs under this category include liability insurance, workers comp and unemployment costs, repairs and maintenance

of copiers and computers, conferences and meetings, and employee related costs, which vary year to year, which is driven by office needs and requirements.

- “*Commodities*” – Expense represent the operational expenditures for computer supplies, office supplies, books/subscriptions, and telephone. Fiscal year 2014 reports a decline in costs linked to the economic conditions due to the declining economic conditions in the real estate market.
- “*Capital Outlay*” – Comprised of computers, computer software, and copiers. In fiscal year 2012 and 2013, expenses were greater than \$100,000. Fiscal year 2012 reported larger computer software costs relating to the rebuild of the KCx front-end project for the rewrite of the Scan-IT module of the Record-IT Land Records System. The new module utilizes a scanning and image enhancement engine that is current and replaced the existing discontinued Kofax image controls engine, which is a functional part of the existing scanners. The Recorder takes responsibility for licensing selected imaging engine. Fiscal year 2013 activity reported increased purchases of computer equipment totaling \$57,004.
- “*Transfer from Other Funds*” - Represents the funds transferred from the County Board office to support the “Cost Study” performed in July/August 2014. The cost study was performed to analyze the fixed costs in the Recorder’s Automation Fund and was performed was at the request of the County Board to determine whether user fees are sufficient to cover the costs of providing the services of the Recorder’s office.

Below is a table that references the revenues and expenditures for the “General Fund” accounts (001.210) for fiscal years 2012-2016:

General Fund	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revenues					
Charges for Services	\$ 2,324,244	\$ 2,797,483	\$ 2,322,354	\$ 2,935,961	\$ 3,015,466
Other	186	287	424	501	531
<i>Total Revenues</i>	<i>2,324,430</i>	<i>2,797,770</i>	<i>2,322,778</i>	<i>2,936,462</i>	<i>3,015,997</i>
Expenditures					
Personnel Services	706,729	698,727	697,996	680,247	656,536
Benefits	157,710	146,914	138,850	132,049	129,180
Contractual Services	1,506	2,078	1,701	1,858	1,528
Commodities	1,727	2,190	1,314	2,169	1,416
<i>Total Expenditures</i>	<i>867,672</i>	<i>849,909</i>	<i>839,861</i>	<i>816,323</i>	<i>788,660</i>
Other Financing Souces (Uses)					
Transfers from Other Funds	-	-	-	-	-
Transfer to Other Funds	-	-	-	-	-
Net Change in Fund Balance	\$ 1,456,758	\$ 1,947,861	\$ 1,482,917	\$ 2,120,139	\$ 2,227,337

Notes to the above chart referencing revenue and expenditures:

- “*Charges for Services*” – Revenues are derived from the collection of several sources such as, recording fees, revenue tax stamp fees, certified record copy fees, surcharge fees, and financing statement fees. The revenues above reflects an increase year to year, with the exception of a decline in fiscal year 2014. The

decline in recordings in real estate property foreclosures and sales reflective of the economic conditions in the real estate market.

- “*Other*” – Investment income reflect variable amounts due to slight changes in interest rates year to year. Included this category is miscellaneous other fees (reported only in fiscal year 2016) which represents the closing of a petty cash account.
- “*Personnel Services*” –Employee salaries reflect slight decreases year to year reflective of employee’s terming employment or transfers to other County offices/departments.
- “*Benefits*” – Includes County share of employer FICA tax, Medicare Tax, health insurance, dental insurance and IMRF. The audited years report slight decreases reflective of employee’s terming employment or transfers to other County offices/departments.
- “*Contractual Services*” – Employee mileage and general association dues are included in this category and report very little flux year to year. Costs are dependent on expenditures for association dues and employee mileage reimbursements for travel to bank and seminars/workshops.
- “*Commodities*” – Office supplies and operational expenditures report minor fluxes over the periods audited. Fiscal year 2014 reports lower expenditures due to declining recordings of real estate foreclosures and sales relating to the economic conditions.

SCOPE AND TESTING

The following steps performed were:

- Reviewed related Illinois State Statues, County Ordinances, organizational chart and prior internal audit report dated December 2011.
- Interviewed the Recorder and Business Manager regarding the office’s functions and processes.
- Discussed with the Recorder the unique requirements for IT support, software and hardware for this office. Agreed that the Recorder is fully authorized by statute to procure the equipment and services necessary to perform the duties of the office, and that the expenditures of the office are not subject to the county’s financial policies.
- Tested 18 accounts payable invoice samples through reports run from New World System and copies of invoices stored in the County storage system (Laserfiche).
- Validated spending compliance if applicable to contracts.
- For fiscal year 2014, vouched the “Transfer In” and “Transfer Out” of \$27,714 reported in the “Recorder’s Automation Fund” relating to the cost study requested by the County Board.
- Reviewed the Recorder’s “Daily Balance Sheet” prepared by the Business Manager to validate counter receipts, credit card receipts, copy center receipts and transfer tax receipts to the totals.

- Analyzed revenue and expenditure fluctuation for fiscal years 2012-2016 in the “General Fund,” “Recorder’s Automation Fund,” and “Rental Housing Support Surcharge” fund.
- Observed the physical fixed assets with the assistance of the Business Manager.

FINDINGS / RECOMMENDATIONS

- **As an elected official, the Recorder is granted certain internal control authority by statute, an excerpt of the applicable ILCS is shown below.**

(55 ILCS 5/3-5005.2) (from Ch. 34, par. 3-5005.2) Sec. 3-5005.2. Internal operations of office. The recorder shall have the right to control the internal operations of his office; to procure necessary equipment, materials and services to perform the duties of his office.

- **During the course of the audit there no material adverse findings relative to compliance or financial controls in office operations.** As such, we would offer no recommendations based upon our internal audit.

We would like to express our appreciation to County Recorder Sandy Wegman and her staff for their cooperation and generous assistance provided during the audit.

Respectfully submitted,



Terry Hunt – Kane County Auditor



Margaret Todd-Cave – Staff Auditor