



Nicole Galloway, CPA

Missouri State Auditor

Clay County

Recorder of Deeds

Report No. 2020-026

June 2020

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Clay County - Recorder of Deeds

Recorder's Preservation Fund The Recorder of Deeds authorized disbursements from the Recorder's Preservation Fund (RPF) for storage space for the Recorder of Deeds and other county offices and departments without ensuring the space was used for allowable purposes of RPF monies under state law.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Clay County Recorder of Deeds Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Finding	Recorder's Preservation Fund.....4
--	------------------------------------

Organization and Statistical Information	6
---	---



NICOLE GALLOWAY, CPA

Missouri State Auditor

Recorder of Deeds
Clay County, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit Clay County. We have audited certain operations of the Clay County Recorder of Deeds in fulfillment of our duties. The county engaged RSM US LLP to audit the county's financial statements for the year ended December 31, 2018. To minimize duplication of effort, we reviewed the firm's audit report for the year ended December 31, 2017, since the report for the year ended December 31, 2018, had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2018. The objectives of our audit were to:

1. Evaluate the Recorder of Deeds' internal controls over certain management and financial functions.
2. Evaluate the Recorder of Deeds' compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

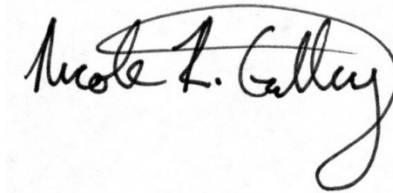
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Recorder of Deeds and was not subjected to the procedures applied in our audit of the Recorder of Deeds.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Clay County Recorder of Deeds.

Additional audit reports of various elected officials and Clay County as a whole are still in process, and any additional findings and recommendations will be included in subsequent reports.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The initials "R." are written between the first and last names.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kelly Davis, M.Acct., CPA, CFE
Audit Managers:	Pamela Allison, CPA, CFE
	John Lieser, CPA
In-Charge Auditor:	Robert McArthur II, CFE
Senior Auditor:	Joy Stevens, MAcc, CFE, CGAP
Audit Staff:	Rex Murdock, M.S.Acct

Clay County Recorder of Deeds Management Advisory Report - State Auditor's Finding

Recorder's Preservation Fund

The Recorder of Deeds authorized disbursements from the Recorder's Preservation Fund (RPF) for storage space for the Recorder of Deeds and other county offices and departments without ensuring the space was used for allowable purposes of RPF monies under state law.

The Recorder of Deeds collects various fees for the recording of instruments including a \$2 document recording fee that, along with other fees, is remitted to the County Treasurer for deposit into the RPF. Some of these fees are turned over to the state of Missouri monthly and some the Recorder of Deeds may use for specific purposes provided by statute. The Recorder of Deeds separately tracks receipts, disbursements, and the balance of each fee within the RPF. Excluding remittances to the state of Missouri, disbursements from the RPF totaled \$159,322 and \$106,081 during the years ended December 31, 2019, and 2018, respectively.

During the 2 years ended December 31, 2019, the Recorder of Deeds authorized disbursements totaling \$43,200 (\$1,800 per month) from the \$2 document recording fees deposited in the RPF to lease underground storage space for the Recorder of Deeds and other county offices and departments, including the Prosecuting Attorney, Public Administrator, Circuit Clerk, Judicial Information Systems, and Information Technology. The Recorder of Deeds does not have access to the storage areas used by the other officials and departments and has not obtained documentation from those officials and departments indicating how the areas are used to ensure the purpose is an allowable use of the \$2 recording fee. During a tour of the facility in February 2020, we noted surplus county office furniture stored in the open common areas.

Section 59.319.1, RSMo, requires the \$2 document recording fee be used for record storage, microfilming, and preservation. To ensure disbursements from the RPF are consistent with the purposes allowed by statute, the Recorder of Deeds should request documentation about the use of the leased spaces and ensure the use is allowable before authorizing disbursements.

Recommendation

The Recorder of Deeds ensure disbursements from the RPF are allowable by state law.

Auditee's Response

The Recorder of Deeds does not authorize disbursements to pay for storage costs for other county officials and departments; it authorizes disbursements for payment of storage for its records and allows other county officials and departments to utilize its extra storage space. This has occurred since approximately 2003 when the former Recorder of Deeds leased underground storage to ensure the preservation and safety of public records. It is essential that the records be stored in climate controlled, disaster proof storage. This results in the storage being underground in a storage cave which is a unique creature where you cannot rent the exact amount of space you need at a given



Clay County
Recorder of Deeds
Management Advisory Report - State Auditor's Findings

time. Allowing others to use the unutilized space does not require additional funds to be expended from the RPF as a smaller space is not available, and it saves money by eliminating the need for other county officials and departments to pay for a separate space of their own.

Regarding the recommendation that the Recorder of Deeds ensure disbursements from the RPF are allowable, that practice is already in place and has been since the current Recorder of Deeds took office in 2015. It has been and will continue to be the practice of the Recorder of Deeds to scrutinize each expenditure to ensure it meets RPF requirements. Storage is clearly enumerated in the RPF statute as an allowable expense to be paid from the RPF.

In response to the audit, the Recorder of Deeds has drawn up an Agreement for Use of Space to be signed by each county official or department utilizing the extra space leased by the Recorder of Deeds. This agreement indicates the use of the space is to be for record storage, microfilming, and preservation, and anything necessarily pertaining thereto, and that any other uses are prohibited and will subject said county official or department to immediate removal from the space if the agreement is violated. All county offices and departments utilizing this space have been directed to remove any items not used for record storage, microfilming and preservation, and anything necessarily pertaining thereto.

Clay County

Recorder of Deeds

Organization and Statistical Information

The Recorder of Deeds collects fees related to recording real estate deeds, subdivision plats, surveys, powers of attorney, tax liens, Uniform Commercial Code documents (real estate only), military discharges, and marriage licenses. In addition, the Recorder of Deeds also issues marriage licenses and collects fees for copies of recorded documents.

Katee Porter, Recorder of Deeds, began serving her second 4-year term effective January 1, 2019. She received a salary of \$77,106 for the year ended December 31, 2018. The Recorder of Deeds office employed 1 chief deputy recorder and 6 deputy recorders on December 31, 2018.