

**Clerk of the Circuit Court**  
**Official Records & Tax Deeds Audit**  
**August, 2006**



**Report by**  
**Internal Audit Division**  
**Clerk of the Circuit Court**

**Betty Strifler**  
Clerk of the Circuit Court  
Citrus County



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110 North Apopka Avenue, Room 101, Inverness, Florida 34450-4299 - Telephone: (352) 341-6481 / Fax: (352) 341-6491

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August 11, 2006

The Honorable Betty Strifler  
Clerk of the Circuit Court

Dear Mrs. Strifler:

I have completed the Clerk of the Circuit Court's Official Records and Tax Deeds Audit. The purpose of this audit was to evaluate the controls and operations relative to recording official public records and performing tax deeds sales.

The audit period covered June 1, 2004 through September 30, 2005. Several items beyond the scope of the audit period that were reviewed are included. Discussion points regarding this audit are listed, along with Recommendations for Improvement, and Management's responses. Other minor matters were noted, but have no material effect on operations.

I appreciate the excellent cooperation and assistance provided by the Records Department Director and staff during the course of this audit.

  
Brenda Fontenot  
Internal Auditor

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**CLERK OF THE CIRCUIT COURT  
OFFICIAL RECORDS & TAX DEEDS AUDIT**

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**ABBREVIATIONS**

BOCC	Board of County Commissioners
FAC	Florida Administrative Code
F. S.	Florida Statute
IS	Information Systems
OR	Official Records

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# CLERK OF THE CIRCUIT COURT OFFICIAL RECORDS & TAX DEEDS AUDIT

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## EXECUTIVE SUMMARY

I have conducted the Official Records (OR) and Tax Deeds audit of the Recording Division for the Clerk of the Circuit Court. The scope of this audit included reviewing Recording Division policies and procedures, evaluating Anthem for Official Public Records imaging and data management system, created by Hart InterCivic (hereafter referred to as Hart), researching Florida Statutes and the Florida Administrative Code (FAC), and examining official recorded documents and tax deeds transactions.

As detailed in the discussion points and recommendations, the audit found some weaknesses in the internal control process relative to balancing and reconciling the overbid report. The difficulty in obtaining useful and comprehensive data from the Hart tax deed reports contributed, in part, to the numerous errors and payment delinquencies. Inaccurate calculations on tax deed applications resulted in excess interest paid to tax certificate holders.

Management implemented recommendations and suggestions regarding the overbid process and interest calculations. The overbid account balances with the general ledger, and payments are remitted on a timely basis. Management met with the Tax Collector's office regarding the interest calculations for tax deed applications. Both offices now use the formula provided in the Florida Administrative Code.

Management will contact Hart to discuss the feasibility of the suggested enhancements and modifications, as outlined in the auditor's memorandum, dated August 11, 2006. (Exhibit A).

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## BACKGROUND

Florida Statute (F.S.) 28.222 assigns responsibility to the Clerk of the Circuit Court “to record all instruments in one general series called “Official Records,” that are required or authorized by law to record. F.S. Chapter 28 outlines the charges for recording documents, instruments, and other services provided by the Clerk.

Another service provided by the Clerk is conducting tax deed auctions.

Florida Statute Chapter 197 mandates that the Tax Collector conduct a tax certificate sale at public auction on or before June 1 each year to collect the tax debt on delinquent property taxes. The tax certificate, an interest-bearing lien, pays interest (up to 18%) to the certificate holder (the party who paid the property owner’s tax) until the property owner redeems the certificate. Tax certificates remain valid for seven years from the date of issuance. If the certificate is not redeemed, the certificate holder may initiate proceedings for a tax deed auction following the statutory two-year holding period, during which time interest accrues.

After the two-year period, the tax deed process commences when the certificate holder files a request for a tax deed application through the Tax Collector’s office and pays all applicable fees. Upon receipt of the tax deed application from the Tax Collector’s office, the tax deed clerk requests payment of advertising costs, Clerk’s fees, postage, and sheriff’s notices from the certificate holder. Once payment is received, the tax deed clerk schedules the auction, advertises in the local newspaper for four consecutive weeks prior to the auction, and notifies all related parties of the upcoming auction.

At this point, the property owner, upon receipt of notification of the impending auction, may still redeem the property. Once the property sells at auction and the Clerk records a tax deed, the property owner forfeits all rights to the real estate.

On the day of the auction, the high bidder posts a \$200 nonrefundable cash deposit, which is applied to the sale price. The high bidder must remit the balance of the sale price within 24 hours of the auction date. The certificate holder’s investment (which is the opening bid), is reimbursed from the sale proceeds. If the certificate holder purchases the property, the sale price is reduced by the opening bid. All additional recording fees and documentary stamps must be paid before the tax deed is issued and recorded. After purchase of the property, the new owner must initiate a quiet title suit in civil court to clear the title of the real estate.

After the sale of the property, the owner receives notification that he/she may claim the overbid proceeds (sale price less opening bid) within 90 days after the auction date. If overbid proceeds remain unclaimed after 90 days, the Clerk remits the balance to the Board of County Commissioners (BOCC) (less fees and postage).

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If there are no bidders at the sale, the property is struck off to the certificate holder, who receives a tax deed after recording fees and documentary stamp fees are paid. The certificate holder must then seek title to the property; otherwise, the certificate holder forfeits the investment.

Any unsold certificates owned by the County are placed on the "List of Lands Available for Taxes." Properties placed on this list are available for purchase 90 days after the auction date.

During the course of this audit, several changes occurred. In April 2006, Kristi Hugar filled the Records Director position following the resignation of Nancy Cologna. In February, the front counter, Customer Service, became a separate division under the direction of Court Services. Shelly Sansone, Customer Service Supervisor, maintains responsibility for receipt adjustments and deposit preparation relative to official documents processed in that division.

Central Scan, created in April 2006 under the supervision of Kathy Davis, Support Services, commenced scanning the Official Records and Tax Deeds and maintains responsibility for quality assurance and mismatches.

### **OBJECTIVES**

The objectives of this audit were to:

1. Determine whether Recording Division internal controls are adequate to ensure that all documents received by the office are properly recorded and meet the legal requirements for acceptance by the Clerk, and appropriate fees are collected.
2. Determine whether the Recording Division policies and procedures adequately support proper internal controls.
3. Determine adequacy and compliance of Hart recording/review procedures for recorded documents, and that scanned images are readable and complete.
4. Determine whether tax deed auctions and related collections and disbursements are conducted in accordance with FL Statutes and approved fee schedules.

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The audit is a tool to assist management in the evaluation of the organization's internal controls, established policies, procedures, and operations. This audit is not designed to appraise the performance of management.

## SCOPE AND METHODOLOGY

The audit period covered June 1, 2004 through September 30, 2005. The documentation and records examined during this internal audit included, but were not limited to, Florida Statutes, policies and procedures for recording documents and the tax deeds process, bank reconciliations, bank deposit records and reconciliations, tax deeds files, interface reports, reports generated by Hart, official public records documents, general ledger transactions, and reports. Interviews were conducted with Recording Division deputy clerks to gain an understanding of the recording and tax deeds processes, and three tax deeds auctions were observed.

## DISCUSSION POINTS & RECOMMENDATIONS FOR IMPROVEMENTS

### **1. The Hart reports do not provide adequate data to perform reconciliations.**

The following conclusions resulted from evaluating the various reports in Hart:

- a. General ledger beginning balances were not recorded upon implementation of the Hart software. Therefore, reports for recording and tax deeds transactions do not reflect actual account balances. To work around the reporting deficiency, Information Systems (IS) created interface reports that extract transaction data from the Hart tables. Totals from the interface reports subsequently post to the general ledger accounts.
- b. Data from Hart reports can be exported to Excel spreadsheets, which can then be sorted and reconciled. Complete and relevant Hart reports would eliminate the necessity of creating additional reports.

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- c. Numerous Hart reports do not include account numbers, totals of account activity, “from and to” date options, and “drill down” functions. Improving functionality would expedite reconciliations and provide meaningful reports.

**RECOMMENDATION**

Management should consider consulting with Hart to determine the cost and feasibility of enhancing the reports module to provide accurate and useful information required by the Recording Division.

A memorandum to the Records Director, dated August 11, 2006, outlines additional observations and suggestions regarding Hart reports and improvements in the accounting features.

**2. Numerous errors occurred in the overbid payment process.**

Florida Statute 197.473 requires that unclaimed overbid payments held for 90 days shall be remitted to the Board of County Commissioners on the first day of the following quarter:

<b>MONTH OF SALE</b>	<b>DUE TO BOCC</b>
January – March	July 1
April – June	October 1
July – September	January 1
October – December	April 1

Overbid payments for 2003 through November 2005 were consistently remitted after the statutory due date.

Other items noted were:

- a. Duplicate payments were processed, which created additional effort in recovering the funds.
- b. Duplicate entries were recorded on management’s overbid spreadsheet.
- c. Entries recorded on the spreadsheet were not reflected in Hart.
- d. Payments did not match entries recorded in Hart.
- e. Transactions for Tax Deed 2004-263 were not recorded on spreadsheet.

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- f. Transactions for Tax Deeds 2003-021 and 2003-022 were not recorded in Hart, and the files remain listed as “active.”
- g. There was no beginning balance on the spreadsheet to indicate prior general ledger reconciliation.

It is the auditor’s opinion that errors occurred due to previous management’s failure to post overbid transactions on a timely basis, compounded by the lack of useful reports.

The Records Director’s proactive approach to reconciling the overbid account has resulted in timely remittance to the Board for the first quarter 2006 transactions, and the monthly reconciled balance agrees with the general ledger.

### RECOMMENDATION

Maintaining a reconciled tax deeds “register” requires manually updating an Excel spreadsheet with each financial transaction previously posted in the tax deeds module. This duplication of effort could be minimized by improving the Hart reports module, as outlined in Discussion Point 1.

1. Management should continue to maintain a current reconciliation of the overbid account.
2. Management should utilize a crystal report designed to reflect account activity, auction dates, cumulative balances, statutory due dates, etc., to facilitate the reconciliation process.
- 3. Errors occurred in the interest calculations on the tax deed applications.**

According to the FL Administrative Code (FAC) 12D-13.060(4)(b), tax deed applications accrue interest. FAC 12D-12.060(4)(b)1 states the Tax Collector shall calculate and enter the interest accrued from the month after the date of the application through the month in which the Form DR-513 is certified to the Clerk of the Circuit Court.

FAC 12D-12.060(4)(b)2 states the Clerk of the Circuit Court shall calculate interest accrued on the tax deed application starting from the first day of the month following receipt of the tax collector's certification, Form DR-513, through the last day of the month in which the sale will be held.

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The statutory calculation method is a two-step process. A review of the Tax Collector's interest calculations revealed the software program did not employ this two-step process.

The Tax Collector's DR Form 513, Line 13, reads, "Interest Computed by the Clerk of Court per Florida Statutes." The Tax Collector's software program currently calculates this figure by combining the Clerk's fees and the Tax Collector's fees, and computing interest on both amounts from the application date through the last day of the month in which the sale occurs.

This erroneous calculation method resulted in the certificate holder earning excess interest.

### RECOMMENDATION

The auditor met with the Records Director and two employees from the Tax Collector's office on August 11, 2006 to discuss and resolve this issue. The Tax Collector's office and the Records Director implemented the recommended corrective actions:

1. Revise interest calculations for all tax deed applications in process.
2. Tax Collector should utilize current DR Form 513 to calculate interest per the FAC.
3. Recording Division should provide Clerk's interest calculations to the Tax Collector, per the FAC.
4. Tax Collector will research software programming change.

The excellent relationship between the Clerk's and Tax Collector's offices was evidenced by the interaction, cooperation, and efficient manner in achieving resolution of this issue.

#### **4. Electronically transmit tax deed files reviewed by the Clerk's attorney.**

The Clerk's attorney provides instructions on disbursing funds for claims submitted for overbid proceeds. Tax deed files are transported to the Crystal River office, where someone from the attorney's office picks up the files. After review, the attorney's office delivers the files back to the Crystal River office, which are subsequently returned to the Records Division in Inverness.

Providing files electronically could save extra handling, time and effort for both parties, and reduce the risk of losing original documents. Since statutory deadlines drive the overbid proceeds disbursements to the BOCC, the reduced turn around time would mitigate the risk of making late payments.

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### RECOMMENDATION

1. Since all files are scanned prior to sending to the attorney, management should consider providing files in an electronic format.
  2. Submit a priority request for Hart to develop a read-only feature to the software.
    - a. Once available, provide attorney with a read-only license, which would allow electronic review of the tax deed files.
    - b. Request the attorney to provide disbursement instructions electronically.
    - c. In conjunction with the request for read-only access, request a function for importing the attorney's electronic response into the tax deed file. This would eliminate making duplicate copies of the response for each of the files reviewed; eliminate filing the duplicate copies; and reduce file handling.
- 5. The 2001 audit recommendation to coordinate importing data from the Tax Collector's office into the Hart tax deeds module remains an outstanding issue.**

According to the Records Director, this issue was addressed intermittently, but meetings between the Tax Collector's office, the Records Director, and Information Systems yielded no tangible results.

The previous report recommended using electronic or scanned images from the Tax Collector's office to eliminate re-keying and re-checking the legal descriptions on the tax deed applications. The Hart software can import *.tif* images from other sources; however, the Tax Collector's office and the Clerk's office use incompatible software. Accepting scanned documents from another source could also create quality control issues for Central Scan.

In addition to the software incompatibility, the Tax Collector's office has no immediate plans to implement a document imaging system.

### RECOMMENDATION

1. Investigate the possibility of Information Systems and the Tax Collector's office collaborating on designing an interface or crystal report compatible with the respective software applications.
2. Contact the Hart project manager to determine feasibility of adding the capability of directly importing data from the Tax Collector's software (upon approval by the Tax Collector).
3. Maintain communication with the Tax Collector's office regarding plans for imaging. Achieving imaging compatibility through proper planning and coordination would simplify the tax deeds application process and benefit both offices.

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### **CONCLUSION**

Through the collaboration of the Records Director, Information Systems, and the Auditor, the creation of additional crystal reports improved the tax deed process. These reports replaced manual preparation of check requests, thereby eliminating numerous errors.

Additionally, the Records Director requested Information Systems create a crystal report to email to the Tax Collector's office. This report is auction-date driven, and lists all applications for the auction date on one report. The Records Director noted this report increased the turn-around time for processing certification sheets from the Tax Collector.

During the course of this audit, management implemented the audit recommendations, and incorporated other suggestions that would improve processes, procedures, and internal controls.

Enhancements to the Hart software application will improve the reconciliation process, eliminate duplication of effort, and ultimately increase the efficiency and productivity of the Records Division.

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**EXHIBIT A**

# Betty Strifler

Clerk of the Circuit Court  
Citrus County



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110 North Apopka Avenue, Room 101, Inverness, Florida 34450-4299 - Telephone: (352) 341-6481 / Fax: (352) 341-6491

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## MEMORANDUM

TO: Kristi Hugar, Records Division Director

FROM: Brenda Fontenot, Internal Auditor *BF*

DATE: August 11, 2006

RE: Official Records and Tax Deeds Audit - Enhancing Hart Reports and Minor Matters

The following items are submitted for your review and comments. It is my opinion that these suggestions, if implemented by Hart, would greatly benefit your department.

1. Tax Deed Excess Proceeds Report -
  - a. Add option to create date-driven report to obtain weekly, monthly, quarterly, or annual reports. At 8/4/06, the 'over 90 days' report consisted of 194 pages.
  - b. Add more detail to report – date claimed, claimant's name, amount paid to claimant.
  - c. Add sort capability to easily locate a tax deed application.
2. Adjusted Receipts Report – Add “drill down” capability to open receipt.
3. Add capability of locating a receipt without a date.
4. Tax Deeds Transaction Report – To facilitate the reconciliation process, include summary and year-to-date (YTD) totals for month's activity for each account number; i.e., 101000, 202501, 341906, etc.
5. Auction List Report – Create a date list of completed and scheduled auctions. Currently, the user must input the date of the auction to retrieve information.
  - a. The software sets the auction and publication dates automatically. However, if the auction date changes, the four publication dates must be changed manually.
  - b. Whenever a scheduled auction date changes, add function to simultaneously change publication dates.
6. Escrow Transfer Report –
  - a. This report lists the debits and credits for a specified date of the escrow accounts, with a net escrow transfer total. In order to reconcile the escrow

account to the general ledger, the account list must be printed on the last day of the month to obtain current balances. If this step is overlooked, or the person reconciling is on leave on the last day of the month, the data is not available.

- b. Modify report to reflect individual account balances for specified dates, including a total of the escrow account balance.
7. Revenue Account Summary Report –
  - a. Add account number for revenue account (currently shows account title).
  - b. Modify report to reflect totals for individual revenue accounts and YTD totals at the end of the report.
8. Revenue Detail Report –
  - a. Add account number for revenue account (currently shows account title).
  - b. Modify report to reflect totals for individual revenue accounts and YTD totals at the end of the report.
9. Revenue Account Report –
  - a. Add account number for revenue account (currently shows account title).
  - b. Modify report to reflect totals for individual revenue accounts for each location.
  - c. Modify report to reflect grand totals for revenue accounts at the end of the report (all locations combined), as well as YTD totals.
10. Receipt Detail Report – Add “drill down” capability to open receipt.
11. No Fee by Document Type Report – Add “drill down” capability to open receipt.
12. No Fee Report - Add “drill down” capability to open receipt.
13. Monthly Report - Modify report to reflect grand totals for revenue accounts at the end of the report (all locations combined), as well as YTD totals.
14. Create an Over/Short Report with “drill down” capability to open receipt, and with date selection.
15. No Fees
  - a. When recording a “No Fee” document, the revenue detail on the receipt indicates fees were charged. The individual charges are listed on the various reports, and then subtracted from the total amount.
  - b. Since these fees are not revenue, the revenue detail on the receipt should default to zero.
  - c. Various reports containing “no fee” transactions should be changed to reflect zero charges.
16. Shortage transactions -
  - a. If a recorded document has been processed and the fees remitted are less than the amount charged, a shortage is recorded. The current method of handling shortages is to either adjust cash or the check to equal the charges for the document. Additional receipts must be created to record the shortage, with references back to the original receipt. This method creates extra steps in the receipting process.

- b. This method does not reflect an accurate accounting of the amount of cash and checks that were actually received. The concept of over/short cash should be restricted to differences in rendering change. Cash on hand should always balance (with occasional minor overages/shortages) with the receipt reports.
  - c. One selection under “Type” in the payment section on the receipt is “shortage.” This payment type should link to an accounts receivable account for funds expected to be collected.
  - d. Any funds in the “accounts receivable” that are not collected should be charged off upon determination that the fee is not collectible (minor amounts, clerical errors, etc.).
17. Voucher transactions -
- a. Voucher transactions are not reflected in the revenue reports.
  - b. Any fees charged through a voucher account should be considered revenue, and typically handled similar to the escrow accounts.
  - c. Create a voucher receivable to offset the earned revenue.

## MINOR MATTERS

### Daily Receipt Summary -

- a. In tracing deposits to the general ledger and interface, small discrepancies were noted.
- b. For auditing purposes, a revised deposit summary should be printed whenever receipts are adjusted and amounts change, noting what changed—voided receipt, refund, etc.

Please feel free to offer suggestions and comments. It has been a pleasure working with you throughout this audit.

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**CLERK OF THE CIRCUIT COURT  
OFFICIAL RECORDS & TAX DEEDS AUDIT**

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**EXHIBIT B**

**Betty Strifler**  
Clerk of the Circuit Court  
Citrus County



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110 North Apopka Avenue, Room 101, Inverness, Florida 34450-4299 - Telephone: (352) 341-6473  
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## Memorandum

**To:** Betty Strifler, Clerk of the Circuit Court  
**CC:** Brenda Fontenot, Internal Auditor  
**From:** Kristi Hugar, Records Director *KH*  
**Date:** September 12, 2006  
**Re:** Official Record and Tax Deed Audit

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I agree with the internal auditor's findings. I will correct existing problems and make every effort to implement the recommendations of the auditor.

**Hart reports do not provide adequate data to perform reconciliations:**

- I have submitted a request to Hart InterCivic, the software vendor, for pricing and a timeline for enhancing the reports module to provide accurate and useful information, pursuant to the Memorandum from the Internal Auditor.

**Numerous errors occurred in the overbid payment process:**

- Since my acceptance of the Records Director position, all tax deed accounts are balanced monthly with the general ledger. The balancing method has been improved by keeping the historic information electronic. Duplicate payment errors are eliminated by timely posting to the tax deed ledger. The April and July transfers to the Board of County Commissioners were remitted in accordance with Florida Statute 197.473. The task outline has been updated to insure that future transfers comply.
- A crystal report was developed to reflect account activity, but could not be utilized until the accounts were balanced. A request has been made to the Clerk's Information Systems department to modify this report, adding the end of the year balance, and begin utilizing the crystal report functionality effective October 1, 2006.

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Clerk of the County Court - County Recorder - County Auditor - Clerk to the Board of County Commissioners

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**RECEIVED**  
*09-12-06*

**Errors occurred in the interest calculations on the tax deed applications:**

- After meeting with the representatives from the Tax Collectors, the interest calculation and Form DR513 were updated to statutory regulations on a point forward basis, beginning with the August 23, 2006 auction.

**Electronically transmit tax deed files reviewed by the Clerk's attorney:**

- A request was made to Information Systems on September 8, 2006, requesting the ability to export the tax deed images to a file and send via e-mail to the Clerk's attorney or to the County Attorney for review.

**2001 audit recommendation to coordinate importing data from the Tax Collector's office into the Tax Deed Module:**

- Hart InterCivic is currently working on the import functionality from export samples provided by the Citrus County Tax Collector.