



Recording Program

February 16, 2021

**A Report to the
Jackson County
Board of Commissioners**

Commissioners

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Dave Dotterer

County Administrator

Danny Jordan



Internal Audit Program

Eric Spivak
County Auditor

Tanya Baize
Senior Auditor

Nicole Rollins
Senior Auditor



**JACKSON
COUNTY**
Oregon

MEMO
INTER - OFFICE

Internal Audit

Eric Spivak
County Auditor

10 S. Oakdale, Room 214
Medford, OR 97501
Phone: (541) 774-6021
Fax: (541) 774-6705
SpivakER@jacksoncounty.org

To: Board of Commissioners
Re: Audit of the Recording Program
Date: 2/16/2021

The enclosed report presents the results of an audit of the Recording Program. The audit was conducted to evaluate whether the Recording Program:

1. Has appropriate internal controls that effectively ensure all receipts are accounted for;
2. Is compliant with the primary state statutes that govern program operations; and
3. Needs to add staff as a result of an increase in recording activity.

We found that appropriate controls have been designed and implemented to ensure all receipts are accounted for. We also found that the staffing level is appropriate, though an increase in workload would necessitate additional resources which could come in the form of overtime, extra (temporary) help, or a part time employee.

Please feel free to contact me at your convenience if you have any questions or would like additional information not contained in the report.

C: Audit Committee
Moss Adams, LLP

IN A NUTSHELL

Audit Objectives

The objectives of the audit were to evaluate whether the Recording Program

1. Has appropriate internal controls that effectively ensure all receipts are accounted for
2. Is compliant with the primary state statutes that govern program operations
3. Needs to add staff as a result of an increase in recording activity

What We Found

The Recording Program has designed and implemented appropriate controls to ensure all receipts are accounted for and the Program is compliant with the primary state statutes that govern its operations. We also found its staffing level to be appropriate, though a further increase in workload may necessitate additional staffing resources.

What We Recommend

We recommend that the Clerk continue to monitor workload and that she considers using Extra Help or overtime as strategies for addressing challenges in meeting the workload. We also recommended that one exception report be monitored on an ongoing basis to ensure all receipt voids and other corrections are appropriate.

Introduction

Audit Authority

We conducted our audit in accordance with Codified Ordinance 218 pertaining to the County Auditor. This audit was included in our fiscal year 2020-21 Internal Audit Plan.

Compliance with Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. These 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. Additionally, the standards address the importance that auditors be independent of management. The Internal Audit program operates in compliance with the generally accepted government auditing independence standard for internal audit shops.

Confidential or Sensitive Information

We did not withhold information that would be considered sensitive or confidential.

Audit Conclusion

Appropriate controls are in place to safeguard revenue, the program is in compliance with primary statutory requirements, and is appropriately staffed for its current level of activity.

Audit Objectives, Scope & Methodology

Our audit objectives were to determine whether controls provide reasonable assurance that all revenues are accounted for, whether operations comply with state statutes, and whether the program’s workload requires increasing the program’s staffing level. We focused on current operational procedures and workload and analyzed data from calendar years 2019 and 2020 to answer these questions.

Our audit procedures included interviewing program management, reviewing statutes, and analyzing detailed financial and program activity information. The methodology used to determine whether the current staffing level is adequate is explained in detail in the body of the report.

Chapter 1 - Background

Workload

As established by ORS 205, the County Clerk is responsible for recording documents such as deeds, liens, and easements and making these documents available for research by interested parties. The Recording Office also issues marriage licenses and declarations of domestic partnership and provides staffing for the Board of Property Tax Appeals (BOPTA), which convenes annually to hear citizen appeals of their tax assessments.

The following table details the number of transactions of the program's multiple functions.

Recording Program Activity

# of Documents	2016-17	2017-18	2018-19	2019-20
Recorded	44,372	41,816	37,515	44,174
BOPTA	51	30	36	44
Copies	3,547	3,134	2,516	2,116
Domestic Partnership	5	3	1	4
Marriage License	1,429	1,376	1,401	1,232
Notary	35	12	13	29
Property Data Online	131	121	110	178
Total	49,570	46,492	41,592	47,777

Source: Helion Cashier Management System Workflow Summary Report

Recording documents is by far the primary activity. Documents are presented for recordation in three manners:

- **E-recordings.** This refers to documents submitted electronically through a 3rd party vendor. First introduced in 2010, E-recordings make up an increasingly larger percentage of filings. Five years ago, in FY 15-16, E-filings accounted for 62% of recorded documents and in FY 19-20 accounted for 72% of recordings. E-recorded documents take less time for staff to process than documents received in person or by mail. Should the trend in E-recording continue, the Office should experience a corresponding decrease in average processing time.
- **In-Person.** The Recording Office is open Monday-Friday to walk-in customers. During the pandemic, the Office is open by appointment only. About 23% of documents submitted for recordation in FY19-20 were from walk-in customers.
- **Mail.** Documents may be submitted by mail. The exact number of documents submitted by mail for recordation is unknown but postage records indicate it averages less than 200 per month. If it were 200 a month, that would still equate to less than five percent of the workload.

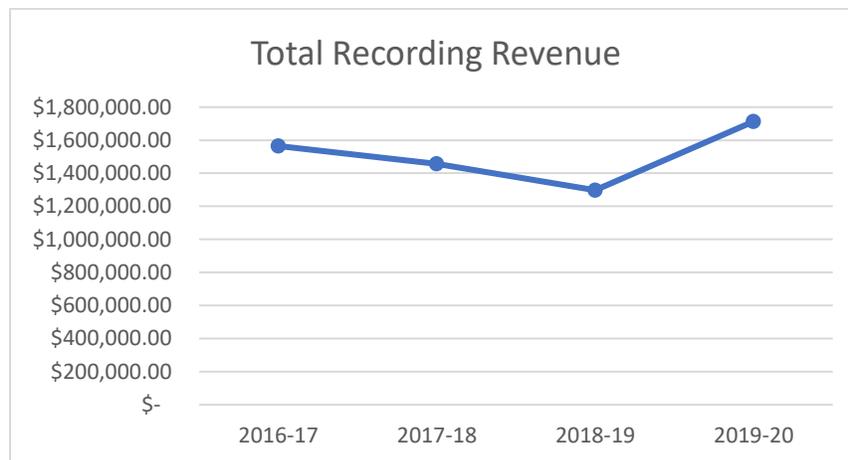
Staffing

The program is staffed with one supervisor and 4 Office Assistant III (OAIII) positions, though one Office Assistant III position is shared between Recording and Elections. The program has experienced low turnover. Individually, the four OA IIIs have been with the program for 2, 8, 9, and 18 years. The supervisor has been with the program since January 2020, having replaced the prior supervisor who retired after 15 years with the program.

Program Finances

Funding for the program is derived primarily from fee revenue. Fees are charged for recording documents, obtaining marriage licenses, acquiring copies of recorded documents, filing BOPTA appeals, and for accessing the Property Data Online (PDO) system. Additionally, the program receives around \$13,000 annually from a state grant known as the CAFFA grant (County Assessment Function Funding Assistance).

The amount of recording revenue earned annually varies from year to year as shown in the chart below.



Source: E1 Financial System Budget Comparison Report

The full cost to record a document includes related fees established by a combination of state statute and Jackson County board orders. These related fees go to various state agencies and programs and to county programs established to aid in maintaining land records. The following chart indicates how the \$114 fee to record a one-page document is allocated. The \$5 fee per additional page goes to the Recording program.

Recording Fee for First Page of Document

Majority of Documents

All Recorded Documents are charged a statutory fee-ORS 205.320(4)(b)	\$5.00
Land Corner Preservation Fee (PLC)-Board Order #53-09	\$10.00
Surveyor Services-Board Order #29-20	\$13.00
Geographic Information Systems (GIS)-Board Order #108-19	\$11.00
State Department of Revenue-ORS 205.323(1)(a)(b)	\$11.00
Oregon Housing & Community Services (OHCS)-ORS 294.187(2)(b)	\$60.00
Oregon Housing Collection and Distribution-Board Order #193-10	\$4.00
Cost of recording a one-page document as of 03/23/2020:	\$114.00 + \$5.00 per add'l pg

Source: Jackson County Fee Schedule as of 2/26/20

Personnel costs account for the bulk of expenses associated with the program, as indicated in the chart below. Annual revenue has historically exceeded the program’s expenses. The current budget projects revenues of \$1,476,930 and expenses of \$673,938 which would result in surplus funds totaling \$802,992.

Revenue and Expenses FY2015-16 through FY2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Total Revenue	1,419,042	1,564,598	1,457,380	1,297,443	1,712,846
Personnel	337,120	344,820	363,308	355,668	376,384
Materials & Services	66,430	78,964	83,702	78,455	80,388
Capital Outlay	0	0	0	7,895	0
Total Expense	403,550	423,784	447,010	442,018	456,772
Rev – Exp	1,015,492	1,140,814	1,010,370	855,425	1,256,074

Source: E1 Financial System Budget Comparison Report

Objective 1 – Evaluation of Controls

We observed and evaluated the Recording Program’s daily close-out process and deposit preparation to ensure it appropriately safeguards the revenues collected by the Program. The controls in place appear adequate to safeguard Recording revenue, but to strengthen them further we recommend that management also periodically review the Helion Voided & Unfinalized Receipts Report to ensure any reversed receipts are appropriate.

The Helion software program is used to both record documents and to process payments. The following controls are in place:

On a daily basis, the Office Assistant III staff close out and balance their own cash drawer at the end of each day to verify the actual receipted revenue agrees with Helion’s report of the total dollars that should have been received. On a rotational basis, a staff member then agrees the total of the individual receipts to a summary report (the Helion Receipt Tender Report) and then prepares the deposit. After the deposit has been processed by the Treasurer, the County Clerk compares the Treasurer’s report and Helion report to ensure they match.

We recommend that management periodically review the Helion Voided & Unfinalized Receipts Report because a voided or unfinalized transaction would not cause a discrepancy between the collected revenue and Helion’s report of the total dollars that should have been received. We reviewed the report for the period 7/1/19 to 6/30/20. The report contained 64 transactions that were voided or unfinalized. All 64 appeared to be appropriate. For example, most were voided or unfinalized due to an entry error and then re-receipted the same day.

The Program also has accounts receivable that must be managed. E-recording companies, state agencies, cities, and county departments are billed for their recordation activity and some individuals/businesses pay a monthly fee to access the Property Data Online (PDO) system. We discussed but did not test the accounts receivable process with the Recording Supervisor. Per our discussion, there are appropriate controls and separation of duties to safeguard the accounts receivable revenue. An accounts receivable aging report showed that \$435 was more than 30 days but less than 90 days past due. The \$435 involved three customers.

Objective 2 – Evaluation of Compliance

The Program is subject to compliance requirements pertaining to the timely return of documents submitted to the Program for recordation and to requirements that certain fees be imposed in conjunction with the fee to record a document. As discussed in the Background section, the full cost to record a document includes related fees established by a combination of state statute and Jackson County board orders.

ORS 205.238 requires that all documents submitted for recording via mail be returned to the owner within 10-business days of recordation. We reviewed all 47,041 documents recorded for the period of 12/2/2019 to 11/27/2020 and found that only 677 (1.4%) took longer than 14 days (10 business days) to be returned. There does not appear to be any penalty for not meeting the 10-business day requirement. The County Clerk commented that they often use temporary help to return these documents.

The Domestic Violence Fee is the only fee with a statutory reference to the timeliness in which it must be turned over to the State. Per ORS 106.045, the fee must be turned over to Department of Human Services regularly. However, the statute does not define “Regularly.” We found that the fee is turned over on a monthly basis, which we interpret as meeting the requirement.

All other fees are turned over to the appropriate agency quarterly. Fees collected for other County departments are credited to the appropriate account as part of the deposit process.

Objective 3 – Evaluation of Staffing Level

The County Clerk asked us to analyze the staffing needs of the Recording Office and determine whether that Office needs to increase its staffing level. As will be discussed below, our analysis indicates that adding an FTE is not needed at this time. Instead a combination of temporary help and overtime would provide a more cost-efficient solution to addressing an increased workload, which may just be temporary.

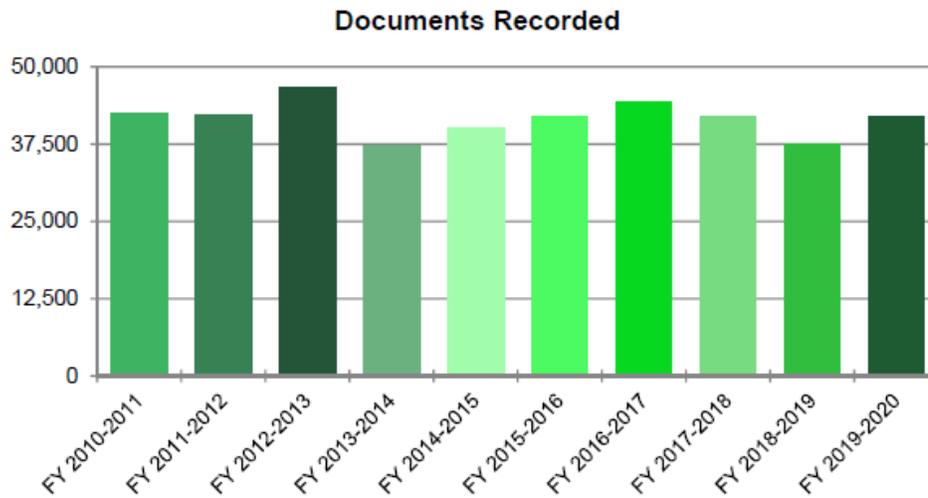
The workload has increased in calendar year 2020 as compared to calendar year 2019. Additionally, program personnel have reported a higher level of stress and pressure to stay up to date with the workload. One duty that staff has not always been able to stay current on is verification, which is a quality control procedure to ensure no data entry mistakes occurred when recording a document. There are no requirements as to when verification must occur but at one point during the audit over 1,300 documents were waiting to be verified. In addition, there are no rules regarding when documents submitted by mail for recordation must be processed, but there is an ORS requiring the original documents be returned within 10 days of recordation. As stated earlier staff have not always been able to meet the timeline. This is primarily due to the department's policy of requiring document verification prior to returning the original document to the customer.

The work of determining whether additional staffing is needed involved two fundamental challenges: estimating future workload and estimating the amount of work that can reasonably be expected to be completed by a staff person in a given amount of time. We reviewed the trend in documents submitted for recording, which is the Office's primary workload driver, and we reviewed statutory requirements that could determine how quickly work must be processed. We used multiple methodologies to estimate the rate of speed at which staff can reasonably be expected to process the workload. Based on the results of our analysis, we estimate that based on the current workload 3.7 FTE are needed on an annual basis, which does not account for the time staff assist in Elections and with BOPTA. Our analysis and results are discussed in detail below.

Recording Program Workload

Calendar year 2020 was a busy year. Through November, the Office recorded 45,326 documents in 11 months, an increase of 22% for the same period of 2019. This increase may be at least partially explained by historically low interest rates resulting in high volume of mortgage refinancing activity. There are factors that suggest there may be an increase in the workload in calendar year in 2021 but there are other factors that suggest there may be a decrease. Lack of housing inventory, made more so by the September fires, suggests that there will be an increase in new construction. On the other hand, it is hard to imagine that interest rates will fall farther and spur on more refinancing activity.

Historically, as illustrated in the 10-year chart presented on the following page, Recording's workload goes up and down and doesn't just continually increase year over year.



Source: Jackson County 2020-2021 Adopted Budget

During the last 10 years, annual recordation activity ranged from around 37,500 to 45,000 documents a year. From one year to the next, activity has increased in 5 years, decreased in 3 years, and stayed flat 1 year. Given this, it is hard to predict what the short-term future workload will be. For analytical purposes, we calculated staffing needs based on differing levels of recordation activity. We developed three scenarios. The scenarios involve a decrease to 40,000 documents, a leveling at 45,000 documents, and an increase to 50,000 documents.

Contractual agreements with the E-file vendors require that E-filed documents be recorded the same day received, as long as they are received before 4:00 PM on a business day. Walk-in customers obviously have to be helped the same day. The Office has leeway in how quickly it records documents received by mail, but it is estimated that less than 2400 documents a year are received via mail, which equates to less than 5% of the workload.

Reasonable Rate of Speed When Recording Documents

We estimate that on average staff can process around 7 documents per hour, while also performing the other routine activities that occur in the Recording Office. These other routine activities include issuing marriage licenses, answering phone inquiries, assisting the public who visit the office to do research, and verifying that documents were recorded accurately.¹

Our estimate was derived by analyzing data from two separate time periods and performing visual observations of staff. Our analysis is discussed in detail below.

¹ As a quality control procedure, after a document is recorded, a second staff member reviews the entry to verify data was entered accurately. Verification occurs subsequent to recordation, ideally the next day.

Method 1 – Average of 6.15 documents per hour, which includes performing other routine activities.

This method used data for the entire FY19-20 time period. The sum of the number of recorded documents was divided by the sum of staff time worked. We excluded documents recorded by the Supervisor and Clerk, which accounted for 9% of documents recorded during the year, because their time spent recording documents was not documented as such. We also excluded the hours worked and documents recorded by the one staff member whose time is shared between Recording and Elections because there was no accurate documentation of how many hours were spent in each of the two programs. Lastly, we excluded the time spent by a staff member assisting BOPTA, as those hours were documented. Staff time spent performing the other routine tasks of issuing marriage licenses, providing copies of recorded documents, helping customers, and verifying the accuracy of recorded documents was not excluded. As such, the result indicates that during the course of a day staff can record an average of 6.15 documents per hour while also performing these other tasks as needed and taking their contractually agreed-upon breaks. BOPTA and working in Elections was not considered a routine activity.

Method 2 – Average of 7.5 documents per hour, which includes performing related Recording work.

This method used data from Helion, the software system used to record documents, for the period of December 2, 2019 through November 27, 2020. The Helion data provided us with the history of who recorded each document and the date/time it was recorded. This allowed us to review each day a person worked. If we saw that document 1 was recorded at 8:00 and document 2 was recorded at 8:05, we concluded it took 5 minutes to record document 2. Everything else was done in the same way as described in method 1 with the exception that we were able to include the days worked in Recording by the staff person whose time is split between Recording and Elections. We did not include the time of the Supervisor and Clerk, as they would not be performing the related Recording tasks during the times they were recording documents.

Because method 1 is based on one lump sum calculation (total number divided by total time) and method 2 calculated the average time of each transaction, the slight difference in the results was expected. Because the difference between 6.15 documents an hour and 7.5 documents per hour is relatively small, we feel comfortable with using the estimate that the Recording Office can expect 7 documents to be recorded for every worked hour.

To assure that our analysis provided a reasonable estimate, we also performed observations of the time it takes to assist in-person customers. We used security camera footage to observe customers during a one-week period to determine the amount of time each customer spent at the counter. However, this method had two inherent flaws. First, E-filed documents account for 72% of documents and it is faster to record an E-filed document than a document presented in person because there are less steps than when recording a document presented in person. Second, this method did not consider the time normally spent performing the other typical activities that occur during the day.

Walk-in customers spent an average of 9:19 minutes at the counter, which translates to a processing rate of 6.44 documents per hour. We lack the data that would be needed to determine the extent to which the need to perform the related Recording work is offset by the quicker speed when recording E-file documents. However, since the observed rate is consistent with the rate determined through

analytical procedures, we feel more confident not less that the analytical procedures produced a reasonable estimate.

Average Number of Hours an FTE Will Work in a Year

The work year is 2080 hours but that includes nine holidays and a personal day (80 hours total), sick time, and vacation time. Using actual staff vacation and sick time taken from the last three complete fiscal years, we determined that it was appropriate to plan on staff working 1724 hours a year. However, management must also consider the possibility that a health issue can result in an employee taking an extended leave.

During the last two years the employee assigned to assist BOPTA recorded 149 and 134 hours as BOPTA-related. This time, and the time needed to assist Elections, needs to be considered when developing the full staffing plan for the Clerk’s Office.

Number of FTEs Needed to Record Documents and Perform Other Routine Activities

As discussed earlier, there is uncertainty as to how many documents will be presented for recordation in the coming year. The chart below calculates the number of hours that will be needed at varying levels of documents based on an average recording rate of 7 documents per hour and an average of 1724 hours worked per FTE.

Number of Documents to Record	40,000	45,000	50,000
'Documents Per Hour' Recording Rate	7	7	7
Number of Hours It Will Take	5,714	6,429	7,143
Hours Worked Per FTE	1724	1724	1724
FTE Needed to Record Documents (Excluding assistance to BOPTA and Elections)	3.3	3.7	4.1

Current Staffing Level

The Program currently operates with 4 OA IIIs and thus seems to be appropriately staffed. However, to complicate matters, 1 of the 4 FTE works in both Recording and Elections. The time this employee works in Elections varies from year to year based on the election cycle. In 2020, a presidential election year, the employee worked exclusively in Elections from mid-August through the election, and then vacated the position after the election.

Given that Recording has been operating with 3 OA IIIs since mid-August, we see no discrepancy between the results of our analysis and reports that program management and staff are feeling overwhelmed and understaffed. Being short 1 of 4 FTEs equates to a reduction in staffing of 25%. At the same time, the workload has increased 22% year to date through November as compared to 2019.

We recommend that the request to increase staffing be temporarily shelved until the vacant position is filled and that individual becomes trained and begins aiding in the completion of the workload.

In the first six months of FY 20-21, through Dec. 8, the Recording Office used 234.25 hours of Extra Help through Personnel Source. This was a cost-efficient means of addressing a temporary need while one

staff member worked in Elections. Using this method saved the Program approximately \$22,000 as compared to having an additional staff member during that time period.

Utilizing a temp agency is the least expensive way to obtain additional staff time, but generally a temporary staff person will be limited to tasks that require little training.

Overtime can be an effective strategy for when it feels like the Office is falling behind and/or there are short term spikes in the workload that require a trained employee. Though overtime does cost 1.5 times the normal wage, it is still more economical than adding staff because there are no additional costs for health insurance or paid time off. We calculated that after factoring in paid time off and including benefits and additional Human Resources, Payroll, and Information Technology costs for a new employee, overtime costs \$1.07 less per hour than the hourly cost of a new employee at Step 1. Plus, overtime costs would only need to be incurred 'as needed' and not for the full year.

Therefore, we recommend that the Program maintain its current staffing level. After the vacant position is filled and that employee is trained and approaches full productivity, a re-evaluation of workload and average processing speeds can be conducted.

Summary of Recommendations

1. We recommend that the Program maintain its current staffing level. After the vacant position is filled and that employee is trained and approaches full productivity, a re-evaluation of workload and average processing speeds can be conducted. In addition, the Clerk should consider using Extra Help or overtime as strategies for addressing challenges in meeting the workload.
2. We also recommended that management review the Helion Voided & Unfinalized Receipts Report on an ongoing basis to ensure all voids and other corrections are appropriate.

Management Response



**JACKSON
COUNTY**
Oregon

MEMO
INTER-OFFICE

Clerks

Christine Walker
County Clerk

10 South Oakdale Rm 114
Medford, OR 97501
Phone: 541-774-6125
walkercd@jacksoncounty.org

To: Eric Spivak, Jackson County Auditor
From: Christine Walker
Subject: Clerk's Recording Program Audit Response
Date: February 9, 2021

Dear Eric:

This memo is to inform you that after my review of the "County Clerk's Recording Program Audit Report", I agree with the findings as made by the Jackson County Audit Department. The items listed have been reviewed and we will implement the recommendations as found. We will continue to monitor the recommendations on a regular basis.

Thank you,

Chris Walker
Jackson County Clerk

Jackson County

Internal Audit Program

10 S. Oakdale, Room 307
Medford, Oregon 97501

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Eric Spivak, County Auditor

541-774-6021

SpivakER@jacksoncounty.org

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