

# What to Expect from a Title Company Audit

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## Purpose of Audit

- Identify areas for Attorneys to improve their internal controls and efficiencies
- Identify irregularities in accounting records and ensure closings are properly disbursed
- Ensure prior liens are satisfied
- Identify areas of Attorney and Underwriter risk

## Audit Process

- Appointment is scheduled
- Complete & gather documents for review
- Items Auditor will request during visit:
  - Listing of all bank accounts
  - Accounting records for all Real Estate Trust Accounts for the last three consecutive months
    - Bank statements and deposit tickets
    - Reconciliation reports
    - Corresponding outstanding check list(s), deposits in transit list(s) and open file listing or trial balance

Copies are preferred, but the original documents should also be available

## Audit Process

- Copy of malpractice, professional liability and/or fidelity bond policies, as applicable
- Random sample of closing files
  - Copy of signed settlement statement
  - Disbursement ledger as of date of review
  - Copy of all payoff letters
  - Copy of cancelled checks or wire transactions related to payoff
- A few minutes of your time to discuss controls and common practices in your office

## What Are We Looking For? Escrow Review

- Reconciliations are current (within 30 days)
- Three-way reconciliation – open file listing, book balance, reconciled bank balance
- Internal controls
  - Debit (negative) files
  - Deposit in transit
  - Outstanding checks
- Procedural review - signers, segregation of duties, clearing or adjusting items, etc.

## What Are We Looking For? Closing File Review

- Payoff statements are documented
- Final signed HUD1 (closing statement) in file which supports all receipt/disbursement activity
- No disbursements prior to receipt of funds
- Some federal/state regulatory requirements (Patriot Act, privacy requirements, etc.)
- Evidence that documents were recorded timely

## End of Audit Communications

- Findings and recommendations provided include:
  - Issues noted
  - Required corrective action plan, if applicable
  - Best practices recommendations, if applicable
  - Deficiencies noted may require follow up documentation showing resolution
- Feedback from Attorney

## Contact Information

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