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November 1, 2013

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SUBJECT: AUDIT OF THE ASSESSOR-RECORDER-COUNTY CLERK'S SOCIAL SECURITY NUMBER TRUNCATION PROGRAM

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the County Policy 02-02 entitled Internal Operational Auditing, and the Board of Supervisor's Ordinance No. 4042, we have completed an audit of the Office of the Assessor-Recorder-County Clerk to determine its compliance with the Recorder's Social Security Number Truncation Program. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

Background

The Office of the Assessor-Recorder-County Clerk (Department) stores official records that were recorded and may contain social security numbers (SSN). The SSN may be handwritten, typed, or machine generated, and is presented in a variety of formats, including numerals with and without dashes and spaces.

Assembly Bill 1168 (AB 1168), Chapter 627 of the Statutes of 2007 amended Government Code Section 27361(d)(1) to allow the County Recorder to collect an additional recording fee of one dollar (\$1.00) for the recording of the first page of every instrument, paper, or notice required or permitted by law. That fee is to be used until December 31, 2017 solely for the implementation and ongoing operation of a State mandated Social Security Number Truncation Program. The amendment further required at subsection (4) that "A county board of supervisors that authorizes the fee described in this subdivision shall require the county auditor to conduct two reviews to verify that the funds generated by this fee are used only for the purpose of the program, as described in Article 3.5 (commencing with Government Code Section 27300) and for conducting these reviews. These reviews shall state the progress of the county recorder in truncating recorded documents pursuant to subdivision (a) of Government Code Section 27301, and shall estimate any ongoing costs to the county recorder of complying with subdivision (a)

and (b) of Government Code Section 27301. The board shall require that the first review be completed not before June 1, 2012 or after December 31, 2013 and that the second review be completed not before June 1, 2017 or after December 31, 2017. The reviews shall adhere to generally accepted accounting standards, and the results shall be made available to the public.”

The Board of Supervisors authorized the fees for the Recorder’s Social Security Number Truncation Program and directed the Auditor to conduct the reviews on January 8, 2008.

Objectives, Scope and Methodology

Our overall objectives were to 1) verify that the funds generated by this fee are used only for the purpose of the program as described in Article 3.5 (commencing with Government Code Section 27300) and for conducting the audit and 2) report on the progress of the Department in truncating recorded documents pursuant to subdivision (a) of Government Code Section 27301(a).

The Department is implementing the conversion in two phases. Phase I covered the initiation of the fee collection on January 1, 2009 to present and Phase II will cover January 1, 1980 through December 31, 2008, in descending chronological order. For Phase I, the Department contracted with an image conversion service, PFA Inc., to search documents and truncate the social security numbers. Social security numbers from all electronic records dated from January 1, 2009 through the date of fieldwork, June 13, 2013 have been truncated. For Phase II, the Department will create a new contract with an image conversion service to search electronic documents and truncate social security numbers from records dated between January 1, 1980 and December 31, 2008 in descending chronological order.

Our audit included inquiries of staff, test of expenditures and a test of truncated documents.

Conclusion

The Department has truncated the social security numbers from the electronic documents recorded since January 1, 2009 through the start date of fieldwork, June 11, 2013. The Department has converted all documents recorded between January 1, 1980 and December 31, 2008 to an electronic version, but still needs to truncate their social security numbers.

The additional one dollar (\$1) recording fee for truncation was collected beginning in fiscal year 2007-08 and the total amount collected through June 30, 2013 was \$2,651,298. Expenditures from funds collected for the Recorder’s Social Security Number Truncation Program totaled \$119,930 and were used for the image conversion service and personnel costs.

As a result of our audit, we concluded that the Department has used the funds received under California Government Code Section 27361(d)(1) solely to truncate social security numbers in accordance with California Government Code Section 27301 and is completing the social security number truncation process in accordance with California Government Code Section 27301. The Department indicated that the proceeds from the truncation fee would be sufficient to

continue the truncation process through 2017. The ongoing costs will be addressed more fully in the second review to be conducted between June 1, 2017 and December 31, 2017.

We sent a draft report to the Department on October 23, 2013 and discussed our observations with management on October 31, 2013.

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

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San Bernardino County

By:



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