



**COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor – Controller - Treasurer - Tax Collector		(2) MEETING DATE 12/5/2017		(3) CONTACT/PHONE Kerry Bailey 788-2979 Suzanne De Witt 781-4846	
(4) SUBJECT Submittal of an audit report of the Clerk-Recorder's Social Security Number Truncation Program. All Districts.					
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached audit report for the Clerk-Recorder's Social Security Number Truncation Program for FY 2017-18.					
(6) FUNDING SOURCE(S) N/A		(7) CURRENT YEAR FINANCIAL IMPACT \$0.00		(8) ANNUAL FINANCIAL IMPACT \$0.00	
(9) BUDGETED? Yes					
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)					
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A					
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A				(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A		(15) BUSINESS IMPACT STATEMENT? No		(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: January 14, 2014	
(17) ADMINISTRATIVE OFFICE REVIEW Nikki J. Schmidt					
(18) SUPERVISOR DISTRICT(S) All Districts					



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: James P. Erb, CPA, Auditor – Controller – Treasurer – Tax Collector

DATE: 12/5/2017

SUBJECT: Submittal of an audit report of the Clerk-Recorder's Social Security Number Truncation Program. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached audit report for the Clerk-Recorder's Social Security Number Truncation Program for FY 2017-18

DISCUSSION

The Social Security Number (SSN) Truncation Program was instituted in 2007 with the passage of AB1168 and requires the County Recorder to truncate social security numbers in all official records recorded since January 1, 1980. On May 6, 2008, in accordance with California Government Code 27361.4, the Board approved County of San Luis Obispo Ordinance 3148 which authorized an additional fee of \$1.00 for the first page of every instrument, paper, or notice required or permitted by the law to be recorded and directed that the funds generated by the fee be used by the County Clerk-Recorder to implement a social security number truncation program. The fee will sunset after December 2017. Additionally, the ordinance directed the Auditor-Controller to conduct two reviews of the Clerk-Recorder's SSN Truncation Program.

The results of our first review were reported to the Board on January 14, 2014.

OTHER AGENCY INVOLVEMENT/IMPACT

The Clerk-Recorder's Office administers the program.

FINANCIAL CONSIDERATIONS

As of September 18, 2017, the SSN program has collected \$660,827 in fees. There is an outstanding loan balance of \$267,262 from the General Fund. We estimate that after the repayment of loan, the balance of the SSN Truncation Program Trust Fund will be \$44,387.

RESULTS

Based on our findings, we made a recommendation to redact seven unredacted records. We also recommended \$37,675 of over-reimbursed expenditures be returned from the General Fund to the Social Security Number Truncation Program Trust Fund. Both our recommendations have been implemented by the Clerk-Recorder. The results of this second audit are detailed in the attached audit report.

Performing audits provides oversight and accountability, ensures compliance with County of San Luis Obispo and State of California regulations, and contributes to the County's vision of a well governed community.

ATTACHMENTS

1. Office of the Clerk-Recorder Social Security Number Truncation Program Audit



COUNTY OF SAN LUIS OBISPO
AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

Office of the Clerk - Recorder
Social Security Number Truncation Program Audit

November 2017

JAMES P. ERB, CPA
Auditor-Controller • Treasurer-Tax Collector



COUNTY OF SAN LUIS OBISPO

AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

James P. Erb, CPA Auditor-Controller • Treasurer-Tax Collector

James W. Hamilton, CPA Assistant Auditor-Controller • Treasurer-Tax Collector

November 3, 2017

Tommy Gong, Clerk-Recorder
1055 Monterey Street, Rm 160
San Luis Obispo, CA 93408

Dear Mr. Gong:

Our office recently completed the State-mandated second audit of the Social Security Number (SSN) Truncation program. Based on our findings, we made two recommendations, both of which have been implemented by your office. The results of our first audit were reported to the Board on January 14, 2014, and the results of our second audit, required to be performed by December 31, 2017, are detailed below.

PURPOSE

The objectives of our audit were to:

- Confirm the County Clerk-Recorder is charging \$1 for recording the first page of every instrument, paper or notice required or permitted by law to be recorded
- Verify the funds generated by the fee were used only for the purpose of the SSN Truncation Program
- Determine the progress of the County Clerk-Recorder in truncating recorded documents from July 1, 2013 to June 30, 2017
- Estimate the ongoing costs of complying with the California Government Code Sections 27300-27307 and 27361(d)

SCOPE

The audit included the Clerk-Recorder's financial records from July 2013 through August 2017 and all public documents recorded from July 1, 2013 to June 30, 2017

METHODOLOGY

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The *International Standards for the Professional Practice of Internal Auditing* require that the internal audit activity be independent and internal auditors be objective in performing their work. The *Standards* also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.



COUNTY OF SAN LUIS OBISPO

AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

James P. Erb, CPA Auditor-Controller • Treasurer-Tax Collector

James W. Hamilton, CPA Assistant Auditor-Controller • Treasurer-Tax Collector

We examined Tyler system’s cash receipts which showed the components of fees. We also assessed the program’s financial records including revenue reports and supporting documents for payment to vendors. Additionally, we identified document types likely to contain social security numbers and we sampled 3% of these documents.

RESULTS

The \$1 fee is being charged for recording the first page of every instrument, paper or notice required or permitted by law to be recorded. Ongoing costs of complying with California Government Code include repayment of a \$267,262 general fund loan; and maintenance and staffing costs totaling approximately \$19,000 per year. The projected fund balance of the SSN Truncation Fund at 12/31/2017 is \$44,387 as shown below.

Current SSN Truncation Fund Balance	\$276,013.70
Estimated Revenues (Sept – Dec 2017)	\$21,600.00
Estimated Interest (Sept – Dec 2017)	\$880.00
Repayment of funds transferred to General Fund	\$37,675.49
Estimated Total Funds Available	<u>\$336,169.19</u>
Estimated Cost through 12/31/2017	(\$24,520.43)
Repayment of Loan Balance	(\$267,261.70)
Estimated Total Costs through 12/31/2017	<u>(\$291,782.13)</u>
Estimated SSN Truncation Fund Balance 12/31/2017	<u>\$44,387.06</u>

Overall, the County Clerk-Recorder is up-to-date with the redaction of documents containing social security numbers. Of the 1,038 documents we reviewed, we identified seven unredacted documents. We also found \$37,675 in transfers to the general fund that did not support the Social Security Truncation Program. The Clerk-Recorder’s Office addressed our findings immediately as detailed below:

Findings with Recommendations Implemented

1. Funds Generated by the SSN Truncation Fee Not Used for the Program

The Clerk-Recorder transferred \$37,675 of unsupported SSN Truncation Trust funds to the General Fund. The transfers were meant to reimburse the general fund for program expenses; however, because the amounts were based on budgeted rather than actual costs, too much was transferred. California Government Code 27304 states each county may use funds generated by the \$1 fee only to fulfill a social security number truncation program. The Clerk-Recorder has repaid the Social Security Truncation Trust Fund the \$37,675.



COUNTY OF SAN LUIS OBISPO

AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

James P. Erb, CPA *Auditor-Controller • Treasurer-Tax Collector*

James W. Hamilton, CPA *Assistant Auditor-Controller • Treasurer-Tax Collector*

2. Untruncated Social Security Numbers

Seven public record documents recorded between July 1, 2013 and September 18, 2017 contained untruncated social security numbers, representing less than 1% of the 1,038 documents tested. Upon notification of the untruncated documents, the Clerk-Recorder promptly truncated the social security numbers and updated the recorded public documents. The current automated electronic recording system operates within a reasonable margin of error which is allowable under California Government Code 27302.

We very much appreciate the courteous attitude of your staff and the cooperation we received during our audit, and we look forward to working with the Clerk-Recorder in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "J. P. Erb".

James P. Erb, CPA

Auditor-Controller-Treasurer-Tax Collector