

**Independent Accountant's Report
On Applying Agreed-Upon Procedures
For the Santa Barbara County Recorder**

SOCIAL SECURITY NUMBER TRUNCATION PROGRAM

First Required Review

August 26, 2013



INTERNAL AUDIT DIVISION

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INTRODUCTION

In compliance with California Government Code Section 27361, we conducted an agreed-upon procedures review of the Santa Barbara County Recorder's Social Security (SSN) Truncation Program (the Program). This is the first of two required reviews.

BACKGROUND

California Assembly Bill 1168, chartered October 13, 2007, required the implementation of a social security number truncation program to protect citizens against the risk of identity theft. The Bill added the following government codes:

- ***California Government Code Section 27301:*** Section 27301 requires the county recorder of each county to establish a social security number truncation program in order to create a public record version of each official record. Section 27301(a) requires the recorder to create an electronic version of each official record recorded between January 1, 1980 and December 31, 2008 and truncate all social security numbers contained in those records. Section 27301(b) requires the recorder to create a copy of each official record recorded on or after January 1, 2009 in electronic format and truncate any social security number contained in the record. Section 27301 (c) requires that the recorder not charge any new fee or increase any existing fees in order to fund the truncation program, except as provided in subdivision (d) of Section 27361.
- ***California Government Code Section 27304:*** Section 27304(b) requires that no later than June 1, 2008, the recorder petition their county board of supervisors for the authority to levy a fee to fund the truncation program.
- ***California Government Code Section 27361:*** Section 27361(d)(4) requires that the county board of supervisors require the county auditor to conduct two reviews to verify the funds generated by the fee are used only for the purposes of the program. The reviews shall state the progress of the county recorder in truncating recorded documents, and shall estimate any ongoing costs to the county recorder of the program. The first review must be completed no earlier than June 1, 2012 and no later than December 31, 2013. The second review must be completed no earlier than June 1, 2017 and no later than December 31, 2017. Section 27361 (d)(1) specifies that the recorder may charge a fee of one dollar for recording the first page of every instrument, paper, or notice required or permitted by law to be recorder, as authorized by each county's board of supervisors. The funds generated by this fee shall be used only by the county recorder collecting the fee for the purpose of implementing the truncation program.

In April 2008, the Santa Barbara County Board of Supervisors approved effective May 1, 2008 an additional recording fee of one dollar (\$1.00) for recording the first page of every instrument, paper or notice required or permitted by law to be recorded to be used solely for the implementation and ongoing operation of the Program. The fee collection will discontinue after December 31, 2017 unless reauthorized by the Board. The Board further directed the County Auditor-Controller to conduct two reviews to verify the funds generated by the fee are used only for the purpose of the Program within the time frames provided under Section 27361.

The Recorder began collecting the fee on May 1, 2008. Total fees collected from May 1, 2008 through June 30, 2012 were \$329,290 and total expenditures for the same period were \$368,297. Additionally, to cover the start-up costs of the Program, the Recorder made a loan of \$131,651 from their automation program to the Program. The Recorder expects to have generated enough revenue by the end of 6/30/13 to pay the loan back but has planned to delay repayment in order to cover any unforeseen costs for the Program. The Recorder's Statement of Truncation Program Revenues and Expenditures is included as Appendix A to this report.

OBJECTIVE

We performed procedures to: (1) verify that the funds generated by the fee are used only for the purpose of the Program and for conducting these reviews; (2) to state the progress of the county recorder in truncating recorded documents pursuant to subdivision (a) of Section 27301, and (3) to estimate any ongoing costs to the county recorder in complying with subdivisions (a) and (b) of Section 27301.

PROCEDURES AND FINDINGS

We have performed the procedures enumerated below, which were agreed to by the Santa Barbara County Recorder, solely to assist the County in meeting the requirements of Section 27361 with respect to the County Recorder's SSN Truncation Program. The County Recorder is responsible for the SSN Truncation Program and for compliance with statutory requirements related to the Program. This agreed-upon procedures engagement was conducted in accordance with the standards for attestation engagements contained in *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the parties specified below ("specified parties"). Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. Obtained the County Board of Supervisor's approval of the fee to fund the SSN Truncation Program and determined its compliance with Section 27301(c), 27304(b), and 27361.

According to the April 22, 2008 County Board of Supervisors Action Summary, the Board adopted Resolution No. 08-154 on April 22, 2008. In compliance with Section 27371 (d), the Resolution approved effective May 1, 2008 an additional recording fee of one dollar for recording the first page of every instrument, paper, or notice required or permitted by law to be recorded to be used solely for the implementation and ongoing operation of a Social Security Number Truncation Program. In compliance with Section 27301(c), Recorder management asserted this was the only new fee charged to fund the program and no existing fees were increased to fund the program. In compliance with Section 27304 (b), the Recorder petitioned the Board for the authority to levy the fee to fund the program before June 1, 2008.

2. Obtained the Recorder's Report of Fees for each month during the review period (May 2008 – June 2012) and verified that the reported amount of redaction fees collected were recorded to the accounting records established for the Program. Assessed the reasonableness of the reported amount of redaction fees collected each month. Selected a sample of months during

the review period and agreed the total truncation fees collected per the Report of Fees to documentation supporting the total number of documents recorded during the month for which the fee was collected in the same month.

All fees collected during the review period per the Recorder's monthly Report of Fees were recorded in the County's accounting system. The Recorder established a new organization unit code specifically for tracking all revenue and expenditures of the program. We noted fees collected for the period June 2010 through May 2011 were recorded in the accounting system but not to the designated organization unit established for the Program.

3. Selected a sample of payroll transactions recorded to the accounting records established for the Program and verified that the employee timecard containing the hours charged to the Program were signed by both the employee and the supervisor. Assessed the reasonableness of other line items that were recorded in the salaries and benefit object level for the Program.

All timecards supporting the 40 randomly selected regular salaries transactions recorded to the program were electronically signed by the employee and approved by a supervisor. We noted no unreasonable line items included in the salaries and benefits object level.

4. Selected a sample of other expenditures recorded to the accounting records established for the Program and obtained supporting documentation to verify that the amount charged was incurred for the purposes of the Program.

Other expenditures recorded to the program include software, monthly software maintenance costs, and the costs of additional servers purchased to run the truncation software. We noted that the Recorder applied 100% of the costs of one server to truncation as it was originally intended to be used solely for the Program, however applications not related to the Program were added to the server. Recorder management explained no adjustment was made to the server cost charged to the program as a result of the server being used by non-truncation applications as they had taken a conservative approach to all other server costs associated with the program. The Recorder's approach was conservative as, of the multiple servers used by the Truncation program, only one other server had a portion of its costs charged to the program for storage directly attributable to truncation. Additionally no ongoing server maintenance was charged to the program and the Recorder plans to not charge future server costs to the program.

5. Obtained Program status reports required pursuant to California Government Code Section 27305 to report the current status of the Program.

As reported in the program status reports filed with the State, as of June 30, 2012, records recorded between January 1, 1996 and June 30, 2012 have had social security numbers truncated and records that were recorded between January 1, 1980 and December 31, 1995 still require social security numbers to be truncated.

6. Evaluated the reasonableness of the Recorder's computation of the estimate of ongoing costs of the Program.

The Recorder estimated the ongoing costs of the Program based on the level of personnel assigned to the program, the actual historical records remaining, the estimated ongoing records, the estimated number of pages per record, and actual other costs to the program.

As of June 30, 2012, the costs to truncate the social security numbers for records from January 1, 1980 through December 31, 1995 are expected to amount to \$239,361. The costs to truncate the social security numbers from new records are expected to amount to \$45,654 annually.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Santa Barbara County Board of Supervisors and the management of the Santa Barbara County Recorder, and is not intended and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.



Heather Fletcher, CPA
Audit Manager
County of Santa Barbara, California
August 26, 2013

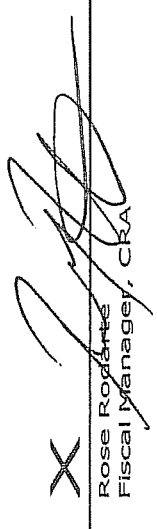
STATEMENT OF TRUNCATION PROGRAM REVENUES AND EXPENDITURES

Prepared by: *Rose Rodarte*
 FIN DATA: *Department 062, Budget Program 03*
 Revenues (*LIA 5310, OU 9793*)
 Expenditures (*OU 9793*)

	TRUNCATION PROGRAM EXPENDITURES		TOTAL EXPENDITURES
	REDACTION REVENUES	LABOR	
FY 2007-08 (Effec 5/1/08)	\$ 6,454.00	\$ 17,797.75	\$ 24,051.62
FY 2008-09	\$ 70,365.00	\$ 54,690.93	\$ 101,341.70
FY 2009-10	\$ 76,470.00	\$ 53,691.76	\$ 153,306.76
FY 2010-11 (not coded to OU)	\$ 83,188.00	\$ 13,900.60	\$ 61,206.85
FY 2011-12 (includes June 2012 Accrual)	\$ 92,457.00	\$ 4,079.99	\$ 28,389.99
	\$ 328,934.00	\$ 224,135.89	\$ 144,161.03
			\$ 368,296.92

June 2012 Revenue Accrual	\$ (7,411.00)
June 2012 Actual	\$ 7,767.00
FIN Actual Revenues posted through 06/30/2012	<u>\$ 329,290.00</u>

RIIMS "CHARGE SUMMARY" REPORTS TOTAL:	\$ 329,290.00
VARIANCE	\$ -

X 
 Rose Rodarte
 Fiscal Manager, CRA