

**COUNTY OF MONTEREY**  
**OFFICE OF THE AUDITOR-CONTROLLER**  
**INTERNAL AUDIT DIVISION**  
**CLERK-RECORDER SOCIAL SECURITY NUMBER TRUNCATION AUDIT**



April 2019

**County of Monterey**  
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**Executive Summary**

Assembly Bill (AB) 1168, Chapter 627 allows the County Recorder to collect an additional recording fee of one dollar (\$1.00) when recording the first page of every instrument, paper, or notice required or permitted by law. That fee is to be used until December 31, 2017, for the purpose of funding the ongoing operations of the state mandated Social Security Number Truncation Program (SSNTP). AB 1168 obliges County Boards to require the County Auditor to conduct two reviews of the County's SSNTP. The reviews shall ensure 1) social security numbers are truncated on all documents 2) fees generated are used for the sole purpose of the program 3) reviews conducted are compliant with generally accepted accounting standards and 4) reviews are made public.

On November 7, 2007, the Monterey County Board of Supervisors (Board), by resolution, authorized the collection of an additional \$1.00 in County Recorder fees in accordance with AB 1168. While the adopted resolution did not address the required reviews, the County Auditor, Internal Audit Division (IAD), has conducted these reviews to fulfill the statutory requirement. In performance of the required reviews, the IAD has concluded that the County Recorder has effectively implemented systems and processes to satisfy the requirements of AB 1168 and has reduced ongoing cost to a nominal level of approximately \$2,000 annually. The IAD further concludes that:

- Funds generated by fees authorized by the Board were used for the sole purpose of administering the Program as described in Article 3.5 commencing with Section 27300 as required by Section 23761(d)(4).
- Progress of truncating recorded documents is adequate and compliant with subdivision (a) of Section 27301 as required by Section 23761(d)(4).
- Policies and procedures are in place that adequately support compliance with Section 27361(d) and Section 27300.
- Business processes and internal controls are in place to ensure accurate and complete processing and recording of financial entries subject to Section 27361(d) and Section 27300.
- Electronically formatted images have been made for the majority of official records recorded between January 1, 1980 and December 31, 2008 and social security numbers included on imaged documents are properly truncated as required by Section 27301(a)(1)(A). Documents from 1980 to 1987 remain open for truncation.
- Electronically formatted images and database entries are made for each official record recorded after January 1, 2009 and social security numbers contained on images and entries are properly truncated as required by Section 27301(a)(1)(B).
- As of January 1, 2018, the County Recorder ceased charging a fee of \$1 for recording the first page of every instrument, paper, or notice, as allowed by Section 27361(d)(1). No entries have been made since this date.
- The County Recorder did not request reauthorization from the Board to continue charging a \$1.00 service fee for official records requiring social security number truncation as required by Section 27361(d)(2).
- Individual requests to truncate untruncated social security numbers included on official records available to the public are properly captured and dispositioned within 10 business days of receiving request as required by Section 27302(b).
- The County Recorder has properly identified and recorded related costs to administer the Program.
- The County Recorder has submitted annual progress reports to the County Recorders Association of California in compliance with Section 27305.

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**Scope**

Pursuant to Monterey County's 2018-2019 Internal Audit Plan as approved by the Board of Supervisors (Board) the Auditor-Controller's Internal Audit Division (IAD) has completed its audit of Monterey County's Social Security Number Truncation Program. The scope of the audit included reviewing 1) imaged documents relating to transactions occurring from the January 1, 1980 to December 31, 2008, 2) imaged documents and system database entries relating to transactions occurring from January 1, 2009 to December 31, 2017, and 3) financial records relating to revenue and expenditures for the period of January 1, 2013 through December 31, 2017.

**Objectives**

The primary objectives of the review included:

- Verifying funds generated by fees authorized by the Board are used for the sole purpose of administering the Program as described in Article 3.5 commencing with Section 27300 as required by Section 23761(d)(4).
- Determining the progress of truncating recorded documents pursuant to subdivision (a) of Section 27301 as required by Section 23761(d)(4).

To adequately assess and conclude on the primary objectives the IAD examined and performed test procedures that ensured:

- Policies and procedures are in place that adequately support compliance with Section 27361(d) and Section 27300.
- Business processes and internal controls are in place to ensure accurate and complete processing and recording of financial entries subject to Section 27361(d) and Section 27300.
- Electronically formatted images are made for each official record recorded between January 1, 1980 and December 31, 2008 and any social security numbers included on imaged documents are properly truncated as required by Section 27301(a)(1)(A).
- Electronically formatted images and database entries are made for each official record recorded after January 1, 2009 and that any social security number contained on images and entries for that record are properly truncated as required by Section 27301(a)(1)(B).
- The County Recorder is charging a fee of \$1 for recording the first page of every instrument, paper, or notice, as allowed by Section 27361(d)(1) and related entries are properly recorded.
- The County Recorder received reauthorization from the Board to continue charging a \$1.00 service charge for official records requiring social security number truncation as required by Section 27361(d)(2).
- Individual requests to truncate untruncated social security numbers included on official records available to the public are properly captured and dispositioned within 10 business days of receiving request as required by Section 27302(b).
- The County Recorder has properly identified and recorded related costs to administer the Program.
- The County Recorder submitted an annual progress report to the County Recorders Association of California in compliance with Section 27305.

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**Background**

Passed on October 13, 2007, Assembly Bill (AB) 1168, Chapter 627 of Government Code Section 27361(d)(1) allows the County Recorder to collect 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. Fees are to be used until December 31, 2017 for the implementation and ongoing operations of the state mandated Social Security Number Truncation Program (SSNTP).

The amendment requires, 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 and for conducting these reviews. The reviews shall state the progress of the county recorder in truncating recorded documents pursuant to subdivision (a) of Section 27301 and shall estimate any ongoing costs to the county recorder of complying with subdivisions (a) and (b) of 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 review results shall be made available to the public.”

On November 7, 2007, the Monterey County Board of Supervisors (Board), by resolution, authorized the collection of an additional \$1.00 in County Recorder fees pursuant to AB 1168, Chapter 627, Government Code Section 27361(d)(1). The resolution is effective from January 1, 2008 through December 31, 2017. While the adopted resolution did not address the required reviews, the IAD has conducted these reviews to ensure compliance with statutory requirements.

**Conclusion**

Our review confirmed that all funds generated by fees authorized by the Board were used for the sole purpose of administering the County’s SSNTP as described in Article 3.5, Section 23761(d)(4). From January 1, 2008 through December 31, 2017, \$778,274 was collected in SSN Truncation Fees, while \$1,045,342 was paid out in expenses. Expenses consists of salaries associated with County employees administering the program and software application and programing costs of systems used to process and truncate documents. The amount of revenue received accounts for 74% of the total cost to the program. Below is a chart highlighting the associated revenue and expenses relating to the County’s SSNTP since inception:

<b>SSN Truncation Program Truncation Revenue and Expenses</b>			
<b>Fiscal Year</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Net Gain/(Loss)</b>
FY 07/08 - 11/12 <sup>1</sup>	383,255.00	443,212.00	(59,957.00)
2012-13	85,945	147,406	(61,461)
2013-14	64,202	143,571	(79,369)
2014-15	66,845	110,785	(43,940)
2015-16	70,399	82,605	(12,206)
2016-17	73,200	77,471	(4,271)
YTD 12/31/17	34,428	40,293	(5,865)
<b>Total</b>	<b>778,274</b>	<b>1,045,342</b>	<b>(267,068)</b>
<b>Ratio</b>	<b>74%</b>	<b>100%</b>	<b>-26%</b>

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<sup>1</sup> Amounts obtained from prior audit report issued on April 3, 2013.

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The majority of the expenses contained in the above chart pertain to labor and system maintenance costs related to administering the old AS400 system. On November 6, 2017, the County Recorder completed its implementation of the Tyler system. This new system dramatically reduced the time, effort, and on-going costs associated with truncating documents. Although AB 1168 allows the County Recorder to request from the Board an extension on charging truncation fees beyond December 31, 2017, the County Recorder did not make such a request due to the increased efficiencies and reduced costs realized through implementation of the new system. System redaction costs for FY2017-18 have been reduced to just over \$2,000. Related administrative efforts and costs have been integrated into the County Recorder's daily routines.

Our review also confirmed that the County's progress of truncating recorded documents is adequate and compliant with Section 23761(d)(4). The Recorder's Office has converted all documents recorded between January 1, 1980 and December 31, 2008 from microfilm to an electronic version. The majority of these have been truncated as required by Section 27301(a)(1)(A). As of this report date, official documents recorded between 1980 and 1987 remain open for truncation. The Recorder's Office has also created an electronic version of all documents recorded on or after January 1, 2009. Social Security Numbers have been truncated for all documents recorded on or after January 1, 2009.

The above conclusions are supported through successful testing of audit objectives. The County Auditor has satisfied each audit objective noting the following:

- Policies and procedures are in place that adequately support compliance with Section 27361(d) and Section 27300.
- Business processes and internal controls are in place to ensure accurate and complete processing and recording of financial entries subject to Section 27361(d) and Section 27300.
- Electronically formatted images have been made for the majority of official records recorded between January 1, 1980 and December 31, 2008 and social security numbers included on imaged documents are properly truncated as required by Section 27301(a)(1)(A). Documents from 1980 to 1987 remain open for truncation.
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- The County Recorder has not requested reauthorization from the Board to continue charging a \$1.00 service fee for official records requiring social security number truncation as required by Section 27361(d)(2).
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**Distribution**

Monterey County Board of Supervisors  
Steve Vagnini, Assessor-County Clerk-Recorder  
Alicia Sotelo, Assistant Clerk-Recorder  
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**Audit Team**

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Issued this 23 day of April, 2019,



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