

County of Santa Clara
Finance Agency
Controller-Treasurer



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December 18, 2013

Assignment 10283

To: Gina Alcomendras, County Clerk-Recorder
Jeffrey V. Smith, County Executive
Emily Harrison, Deputy County Executive
Irene Lui, Controller-Treasurer
Board of Supervisors
Civil Grand Jury

From: Rebecca Haggerty, Internal Audit Manager *RH*

Subject: Internal Audit Report: Clerk-Recorder's Social Security Number Truncation Program
Review January 1, 1980 to December 31, 2012

We have completed the Clerk-Recorder's Social Security Number Truncation Program Review as required by the California Government Code. We completed this review on December 3, 2013. It is anticipated that this review will be submitted to the Board of Supervisor's Finance and Government Operations Committee during the winter of 2013-14.

As required by law, this report discusses program status. As such, there are no findings or recommendations. The Clerk Recorder's Office is making progress on truncating Social Security numbers. Documents recorded after December 17, 2008 have been truncated; whereas, documents recorded prior to December 17, 2008 are in progress.

We appreciate the cooperation extended by the County Clerk-Recorder's staff. Their assistance contributed to the successful completion of the review.

Attachments:

Internal Audit Report: Clerk Recorder's Social Security Number Truncation Program Review
January 1, 1980 to December 31, 2012
Management Response

COUNTY OF SANTA CLARA

CONTROLLER-TREASURER DEPARTMENT

INTERNAL AUDIT REPORT

Clerk-Recorder's Social Security Number
Truncation Program Review
January 1, 1980 to December 31, 2012



December 18, 2013
Assignment 10283

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- Conclusion**
- Documents containing Social Security numbers (SSN) recorded from December 17, 2008 through December 31, 2012 have had their SSN's truncated.
 - Documents filed from January 1, 1980 to December 16, 2008 have generally not had their social security numbers truncated.
 - Fees generated for this program were spent for system implementation, maintenance, and equipment/software upgrades. However as of December 31, 2012, fees exceeded expenditures by \$883,599.
 - Estimated future annual costs are \$340,000. Estimated future nonrecurring costs for system upgrades and image conversion are \$1,200,000.

Scope

This review encompassed the County Clerk-Recorder's Social Security Number (SSN) truncation activities from January 1, 2008 through December 31, 2012.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

A draft of this report was discussed with management during the course of our work. The management's response is attached.

Objective

This report's purpose is to provide a program status report as required by the California Government Code Section 27361(d)(4); it is not intended to assess the Clerk Recorder's performance or to make recommendations. This review specifically reports on the following required by the California Government Code Section 27361(d)(4).

- A determination of the progress to date of the Clerk-Recorder in truncating recorded documents pursuant subdivision (a) of GC Section 27301.
- Verification of the amount of fees received per fiscal year and verification that the expenditures applied to those fees were used only for the purpose of the program and for conducting these reviews.
- An estimate of ongoing costs.

Background

This review was included in the Internal Audit Division's FY13-14 Workplan.

On October 13, 2007, the Governor signed AB 1168 into law. To minimize identity theft, this law requires local agencies to truncate social security numbers from official records prior to public disclosure. The law authorizes the County to charge an additional one dollar fee for each recorded document's first page to fund this program's implementation. The Government Code Section 27300(a) defines "official record" as the permanent archival record of all instruments, papers and notices as accepted for recording by a county recorder. Whereas, a vital record is a record of life events such as birth, marriage, and death. A death certificate that is attached to a recorded affidavit of death is the only vital record that becomes a part of the official record.

This law required the Clerk-Recorder to establish a Social Security number truncation program enabling the development of a public record version of every official record containing a Social Security number. The public record version is a truncated replica of the official record. The official record will remain untruncated and is not readily available to the public. In the case that the public needs to

inspect the official record, a subpoena or court order is required. The provisions apply to all documents recorded since January 1, 1980.

A Board of Supervisors' Resolution authorized this fee effective January 1, 2008. The fee is effective from January 1, 2008 to December 31, 2017, unless reauthorized by the Board.

This fee's authorization requires the Internal Audit Division to conduct two reviews. This report is the first review and must be completed between June 1, 2012 and December 31, 2013. The second review must be completed between June 1, 2017 and December 31, 2017.

(signature on file)

Rebecca Haggerty
Internal Audit Manager
December 18, 2013

Attachments:
Review Report
Management Response

REVIEW REPORTCounty Clerk-Recorder's Progress

The Government Code Section 27301 requires Social Security numbers be truncated from all official records filed with the Clerk-Recorder since January 1, 1980. All documents are scanned by a computer system and sent to an employee to determine if truncation is necessary. The employee truncates the Social Security number in the document by redaction. Many types of documents include Social Security numbers. The following are the most common:

- Abstracts of judgment
- Affidavits of trustees with attached death certificates
- Military discharge papers
- Federal tax liens
- State tax liens
- County agreements to reimburse
- UCC financing statements
- UCC release and terminate records

The Clerk-Recorder has truncated the Social Security number in documents recorded between December 17, 2008 and December 31, 2012. Documents recorded between January 1, 1980 and December 16, 2008 have not had their Social Security numbers truncated. It should be noted that, although the County has not yet truncated Social Security numbers prior to December 17, 2008, some documents have Social Security numbers truncated through other programs, for example through Federal or state government initiatives.

Fiscal Analysis

As of December 31, 2012, the Clerk-Recorder had received fees of \$2,322,269 which exceeded expenditures by \$883,599. Expenditures of \$1,438,670 were spent on the program. No expenditures have yet been spent on this review. The following summarizes these expenses:

Allocated labor expenses (Note A)	\$ 582,408
Contract - SSN truncation implementation (Note B)	90,500
Software licensing	165,372
System maintenance	63,439
Allocated electronic system expenses (Note C)	253,299
Hardware (storage, network connections, switches)	253,404
Miscellaneous (insurance and mileage)	256
Depreciation	<u>29,992</u>
 Total Expenses	 <u>\$ 1,438,670</u>

Note A: The allocated labor expenses are the wages and benefits paid for personnel during the time period July 1, 2009 and December 31, 2012.

Note B: The contract was concluded in April 2009.

Note C: Due to multiple functions, including the SSN truncation function, operating on common computer systems, the allocated electronic system expenses are the estimated share incurred by the SSN truncation function.

Estimated Ongoing Costs

The County Clerk-Recorder estimates the following annual recurring and nonrecurring costs:

Recurring costs

Labor	\$ 180,000
Software maintenance	85,000
Programming Services	<u>75,000</u>
Total recurring annual costs	\$ <u>340,000</u>

Nonrecurring costs

1980 image conversion	\$ 500,000
System upgrade (allocated costs)	300,000
Storage expansion	<u>400,000</u>
Total nonrecurring costs	\$ <u>1,200,000</u>

MANAGEMENT RESPONSE

County of Santa Clara
FINANCE AGENCY
Office of the County Clerk-Recorder



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70 West Hedding Street, E. Wing, 1st Floor
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(408) 299-5688

December 16, 2013

To: Rebecca Haggerty
Internal Audit Manager
Santa Clara County

From: Gina Alcomendras
County Clerk-Recorder
Santa Clara County

Subject: Response to the Internal Audit Report: Clerk-Recorder's Social Security Number Truncation Program Review January 1, 1980 to December 31, 2012

In compliance with Government Code 27361(d)(4), the Internal Audit Unit of Santa Clara County performed a review of the Social Security Truncation Program of the County's Clerk-Recorder's Office.

The facts are accurate and their report properly characterizes the current and future status of the Program.

Therefore, I agree with their conclusions and the outcome of the review of the Social Security Truncation Program for the County of Santa Clara.

Thank you to the Internal Audit Team of the Santa Clara County Controller-Treasurer's Office.

Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Ken Yeager, S. Joseph Simliff
County Executive: Jeffrey V. Smith