

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

Compliance Review-Final Report Social Security Number Truncation Program

Engagement No: 3087
Report Date: December 12, 2017



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Executive Summary

As part of the 2017-2018 Annual Audit Plan, the Internal Audit Division of the Sonoma County Auditor -Controller-Treasurer-Tax Collector's (ACTTC) Office completed a review of the Sonoma County Clerk-Recorder-Assessor's social security number truncation program (Program).

AB 1168 was signed into law by the Governor on October 13, 2007 to protect the public from identity theft. It requires local agencies to redact social security numbers (SSNs) from records before disclosing them to the public. The law authorizes counties to charge an additional \$1 fee for the first page of each recorded document to fund the implementation of the Program. On December 11, 2007, the County Board of Supervisors adopted the Program and authorized the Clerk-Recorder-Assessor's Office (Recorder) to assess the social security truncation fee. The Recorder began collecting the \$1 fee on January 1, 2008 to cover expenditures related to the Program. The Recorder completed social security truncation efforts on documents recorded between 1980 and 2008 and successfully implemented a system to truncate social security numbers on recorded documents from 2009 to the present.

Under the Program, the Recorder creates a public version of recorded documents which includes only the last four digits of social security numbers. The Program's primary activity is identifying and redacting social security numbers from recorded documents that are accessible by the public. The cost of this activity is covered by the remaining balance in the Program fund. Upon analysis of the ongoing costs and remaining balance in the Program fund, the Recorder suspended the \$1 fee as of July 1, 2016.

The results of the review support that

- 1) Funds generated by the fee pursuant to Government Code (GC) §27361 were used solely for the purpose of the Program.
- 2) Social security numbers have been truncated from documents recorded since January 1, 2009 to present.
- 3) The Recorder's primary ongoing Program costs for the Social Security Truncation is approximately \$8,200 annually.

An amendment to GC § 27301 on October 9, 2017 now allows counties to redact social security numbers from documents created prior to January 1, 1980 and fund the activity from the \$1 per recorded documents fee originally authorized by the code section. If the Recorder chooses to exercise this option, the annual cost of the program discussed will increase.

Introduction and Background

Introduction

The ACTTC Office completed a review of the Recorder's Program. We conducted our review in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). These Standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our review objectives. We believe that the evidence obtained provides a reasonable basis for the results, observations, and recommendations contained in our report.

The County Recorder records a number of documents that contain social security numbers. These documents can be accessed by the public. Due to potential misuse of social security numbers, GC§27361 was enacted that requires local agencies to restrict disclosure of social security numbers to only four digits.

GC§27361 authorizes the County to assess an additional \$1 fee per recorded document to fund the Program. The funds collected are to be used solely for the purpose of the Program.

The primary purpose of our engagement is to conduct a review of the Program, as required by law, and determine:

1. If the funds generated by the fee pursuant to GC§27361 were used solely for the purpose of the Program,
2. Progress of the County Recorder in truncating social security numbers in recorded documents and
3. Estimated ongoing costs to the County Recorder of complying with GC§27361.

Background

In January 2008 the Recorder began the Program to create a public version of recorded documents that would be exact copies of the official records but display only the last four digits of the social security numbers. This provision would apply to all documents recorded since 1980.

The GC § 27361 (d) (4) requires County Boards of Supervisors that authorize the fee to require the County Auditor to conduct two reviews of the program. Each review would 1) verify that funds generated from the Program were used only to truncate SSNs in accordance with the Program requirements, 2) state the progress of the County Recorder in truncating recorded documents, and 3) estimate any ongoing costs to comply with the requirements. The first review must be completed between June 1, 2012 and December 31, 2013 and the second between June 1, 2017 and December 31, 2017.

The authority to assess the additional fee sunsets on December 31, 2017, unless it is renewed by the County Board of Supervisors. As of July 1, 2016 the Recorder's office suspended the collection of the SSN Program fees.

California Senate Bill No. 184 was approved by the Governor October 9, 2017 amending GC § 27301 stipulating "The program may include a component for each official record recorded before January 1, 1980, pursuant to which the county recorder may create a copy of that record in an electronic format and truncate an social security number contained in that record."

Objectives, Scope & Methodology

Objectives

The objectives of this review were to:

1. Verify that the funds generated by the social security truncation fee are used solely for the purpose of the Program, as described in article 3.5 (commencing with GC § 27300).
2. Report on the progress of the Recorder in truncating recorded documents pursuant to subdivisions (a) of GC § 27301
3. Estimate any ongoing costs to the Recorder of complying with subdivisions (a) and (b) of GC § 27301.

Scope

This report covers the period July 1, 2013, through June 30, 2017. The 1st report covered the initiation of the fee collection and the period January 1, 2008 through June 30, 2013.

The scope of our work for the 2nd review included but was not limited to:

- a) Review of departments implementation on recommendations noted in the prior report
- b) Review and evaluation of internal controls designed to ensure compliance with the requirements of the Social Security Truncation Program as outlines in California Government Code
- c) Tests of compliance to gain assurance the internal control system is functioning as intended and is achieving its design objectives.

Methodology

To address the review objectives, ACTTC conducted the following activities:

- Conducted walkthrough of current document processing and system review;
- Conducted general interviews and observations with key personnel;
- Reviewed extensive documentation key to the review objectives

Results

Objective #1: Verify that the funds generated by the social security truncation fee are used solely for the purpose of the Program, as described in article 3.5 (commencing with Section 27300)

The results of our tests support that expenditures made out of the SSN Truncation fees collected were solely for the purpose of the Program. We reviewed support for all expenditure transactions for this review period, totaling **\$119,585** and noted no exceptions.

Between July 1, 2013 and June 30 2017, **\$219,082** was collected in SSN Truncation fees. The interest generated for the period totaled **\$13,139**. As of June 30, 2017, the SSN Trust Fund has a fund balance of **\$462,409**.

The Social Security Truncation Program project to convert records from 1980 to 2008 was completed and expensed prior to the first SSN Truncation Program report. The Recorder stopped charging the SSN Truncation fee as of July 1, 2016 primarily due to the completion of the initial Social Security Truncation project and the large fund balance compared to the minimal ongoing Program costs, as noted in objective 3 below.

Objective #2: Report on the progress of the Recorder in truncating recorded documents pursuant to subdivisions (a) of GC § 27301:

The Recorder's system creates an electronic copy of each official record recorded and truncates any social security number contained in that record. Staff also reviews each document and ensures social security numbers have been truncated. SSNs have been truncated from documents recorded since July 1, 2013 to June 30, 2017.

Objective #3: Estimate any ongoing costs to the Recorder of complying with subdivisions (a) and (b) of GC § 27301

The Recorder's ongoing primary costs for the Program consists of approximately \$8,200 annually for the Social Security truncation module of the Tyler Technologies software. Currently, the **\$465,409** balance in the SSN Fund is scheduled to cover system software maintenance costs and potential system upgrades in the future.

Expenditures may increase if the Recorder decides to convert the records prior to 1980, in accordance with GC § 27301 as amended on October 9, 2017. The Recorder could use funds from the SSN Fund to convert the records prior to 1980. No decision has been made by the Recorder regarding the conversion of records prior to 1980 and no estimates have been made regarding the additional costs to convert these records.

Prior Year Recommendations

2013 SSN Truncation Program Report Recommendations:

Recommendation 1)

In order to more strongly support that a system with a “high level of accuracy” was used, the Recorder should re-perform the quality control procedures over documents recorded from 1980 through 2008 and retain documentation describing the objectives, scope, procedures and results. Actions should be taken based on the results of the quality control procedures.

The Recorder provided ACTTC with a copy of their test work. The department reviewed 1,043 records that were converted and processed through the truncation system for the period 1980 through 2009. Through their review, they identified seven instances where truncation did not occur. A majority of the instances where truncation did not take place was due to poor or degraded copies that could not be read by the system and register a SSN to be truncated.

The Recorder has added a manual review of documents scanned and archived into the system on documents that are most common to have a SSN that should be truncated. Given the high accuracy rate of the truncation system and the addition of the manual review control, ACTTC is reasonably assured the department is exercising its due diligence to ensure SSN's are truncated as required.

Recommendation 2)

The Recorder should perform further analysis and determine whether to reduce or suspend collection of Program fees.

As of July 1, 2016 the Recorder suspended the collection of the SSN Program fees as the main truncation program of converting the 1980 to 2009 records to an electronic format and implementing a new archiving, scanning, and truncation system were complete.

Staff Acknowledgement

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We would like to thank Deva Proto, Chief Deputy Clerk-Recorder, Rebekah Heinze, Administrative Services Officer, and the Clerk-Recorder-Assessor's staff for their time, information, and cooperation throughout the review.

Appendix A

For purposes of reporting audit and/or review findings and recommendations, report items are classified into three distinct categories to identify the perceived risk exposure:

- **Risk Classification A: Critical Control Weakness:**
Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s), policies, and/or business goals of a department/agency or the County as a whole. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

- **Risk Classification B: Significant Control Weakness:**
Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.

- **Risk Classification C: Control Findings:**
Audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process.

The current status of implementation of recommendations will be followed up no later than the end of the second fiscal year after the report has been issued. Critical control weakness findings will be followed up between six months and one year of the date of the report.