

COUNTY OF SANTA CLARA

CONTROLLER-TREASURER DEPARTMENT

INTERNAL AUDIT REPORT

**Clerk-Recorder's Social Security Number
Truncation Project Second Review:
Activities of January 1, 2013 to August 31,
2017**



November 7, 2017
Assignment 10283-A

Summary

As required by Government Code 27361(d)(4), this project reports the following:

- Truncation Status: As of August 31, 2017, the Clerk-Recorder's Office (CRO) has truncated Social Security Numbers (SSN's) on documents recorded from February 1994 through August 31, 2017.
- Fees and Expenses: From January 2013 to June 2017, \$1.8M of truncation fees were collected with \$1.4M of project related labor and technology amounts expended.
- Estimated ongoing costs: From July 1, 2017 through June 30, 2022, another \$2.1M is projected to be spent for truncation purposes.

We expect to present this report to the Finance and Government Operations Committee in Fall 2017. We appreciate the cooperation provided by the CRO's staff that enabled us to complete this review timely.

Signature on file

Rebecca Haggerty *RH*
Internal Audit Manager
November 7, 2017

Objective and Background

This report's purpose is to provide the information required by California Government Code Section 27361(d)(4).

- A determination of the progress to date of the CRO in truncating recorded documents pursuant subdivision (a) of Government Code 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 project.
- An estimate of ongoing costs.

This review was included in the Internal Audit Division's FY2018 Workplan to meet the legally required December 2017 deadline.

Truncation Status

The CRO has truncated SSN's in documents recorded from February 3, 1994 through August 31, 2017. The following are the oldest documents truncated by document type:

- | | |
|---|-------------------|
| • Abstract of Judgement | February 26, 1994 |
| • Affidavits of trustees with attached death certificates | February 25, 1994 |
| • Military Discharge Papers | May 21, 1994 |
| • Federal Tax Liens | March 2, 1994 |
| • State Tax Liens | February 9, 1994 |
| • County Agreements to Reimburse | April 27, 1994 |
| • UCC Financing Statements | February 9, 1994 |
| • UCC Release and Termination Statements | February 3, 1994 |

Fees and Expenses

From January 1, 2013 through June 30, 2017, the CRO received fees totaling \$1,751,091 and incurred truncation-related expenditures of \$1,438,858. Expenditures included:

Expenditures	
January 1, 2013 – June 30, 2017	
Labor	\$ 1,093,306
Computer equipment and technology	318,587
Other	<u>26,965</u>
Total Expenses	<u>\$ 1,438,858</u>

Estimated Ongoing Costs

The County CRO estimates the following costs through Fiscal Year 2022.

Estimated Ongoing Costs July 1, 2017 – June 30, 2022

Labor	\$ 1,357,440
Goods and Services	<u>700,000</u>
Total estimated costs through Fiscal Year 2022	<u>\$ 2,057,440</u>

Scope and Methodology

California Government Code required two reviews. The first review addressed the CRO's activities from January 1, 2008 through December 31, 2012. This second review's scope addresses:

- Truncation activities from January 1, 2013 to August 31, 2017,
- Revenues and expenses from January 1, 2013 to June 30, 2017, and
- Estimated future costs from July 1, 2017 to June 30, 2022.

This review consisted of the following primary steps:

- ✓ Determined records subject to truncation and whether truncation is needed. The need for truncation depends on whether or not the submitter truncates SSN's prior to submitting the documents to the CRO. See table:

<u>Document Type</u>	<u>Truncation Requirement</u>
Abstract of Judgement	Retroactive
Affidavits of Trustees with Attached Death Certificates	Retroactive and Ongoing
Military Discharge papers	Retroactive and Ongoing
Federal Tax Liens	Retroactive
State Tax Liens	Retroactive
County Agreements to Reimburse	Retroactive
UCC Financing Statements	Retroactive
UCC Release and Termination Statements	Retroactive

- ✓ Confirm truncation status with the CRO and verify the status by identifying the oldest recorded documents, by type, whose SSN's had been redacted.
- ✓ On a sample basis, verify that the CRO truncated the SSN's.
- ✓ On a sample basis, review the documents, by type, to identify documents not truncated. Inquire of anomalies.
- ✓ Trace truncation fee revenue to supporting documents.

- ✓ Verify the appropriateness of truncation expenses.
- ✓ Obtain from the CRO the estimated ongoing costs.

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, and their written response is attached.

Program Background

On October 13, 2007, the Governor signed Assembly Bill (AB) 1168 into law. To minimize identity theft, this law requires local agencies to truncate SSN's 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 project's implementation. California 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 CRO to establish a SSN truncation project enabling the development of a public record version of every official record containing a SSN. 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.

The following official records contain SSN's:

- Abstract of Judgement
- 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 Termination Statements

Once documents are scanned into the system, they are automatically redacted using Optical Character Recognition (OCR) technology and then reviewed by staff for accuracy. Staff will truncate any missed SSN's in the document by redaction if needed.

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

AB1168 also requires two reviews. The first review assessed the program's status through December 31, 2013. The Internal Audit Division issued the first review report on December 18, 2013. This second review, having the same objectives as the first review, must be completed between June 1, 2017 and December 31, 2017.

State Senate Bill (SB) 184 passed in 2017 and amends Government Code Section 27301 by allowing the county recorders to truncate SSN's from documents recorded before January 1, 1980. The Governor signed this bill on October 9, 2017. As of this report date, the CRO intends to request the Board in November 2017 to extend the fee period to allow records redaction to documents recorded prior to January 1, 1980.

Attachment:

Management Response

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

County Government Center
70 West Hedding Street, E. Wing, 1st Floor
San Jose, California 95110
(408) 299-5688



November 8, 2017

To: Rebecca Haggerty
Internal Audit Manager
County of Santa Clara

From: Gina Alcomendras
County Clerk-Recorder
County of Santa Clara

A handwritten signature in blue ink, which appears to read "Gina Alcomendras", is written over the printed name and title of the sender.

Subject: Response to the Internal Audit Report – Clerk-Recorder’s Social Security Number
Truncation Project Second Review: Activities of January 1, 2013 to August 21, 2017

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

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

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

I would like to thank the Internal Audit Team of the Santa Clara County Controller-Treasurer’s Office. It was the pleasure of the Clerk-Recorder’s Office to work with such a professional and excellent team.