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**County of San Mateo Controller's Office
Independent Accountant's Report on
Applying Agreed-Upon Procedures For
County Recorder
Social Security Number Truncation Program**

**For the period January 1, 1997
Through June 30, 2013**

SUBMITTED BY:

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Independent Accountant's Report on Applying Agreed Upon Procedures

We have performed the agreed upon procedures enumerated in Attachment A, which were agreed to by the San Mateo County Auditor-Controller ("County Controller") and the San Mateo County Recorder ("County Recorder"), solely to assist you in complying with Controller's requirements to review the Social Security Number Truncation Program (SSNTP) pursuant to Assembly Bill 1168 in ensuring that the program fees collected were used for the purpose of the SSNTP. Management of the Recorder's Office is responsible for the accounting records pertaining to the statutory compliance pursuant to Government Code section 27301. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A, either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed upon procedures as set forth in Attachment A. Attachment A also identifies the findings noted as a result of the procedures performed and management's response.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the SSNTP or as to the appropriateness of the other financial information summarized in Attachment A. 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.

The report is intended solely for the information and use of the County Controller, the County Recorder, and the California State Controller's Office, and is not intended to be, 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.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
December 31, 2013

Summary

Assembly Bill (AB) 1168 was signed into law by the California Governor on October 13, 2007 and required the implementation of a Social Security Number Truncation Program (SSNTP) to protect citizens against the risk of identity theft by requiring local agencies to redact social security numbers from records prior to disclosing them to the public. California Government Code Section 27301 directed the county recorders to establish a SSNTP to create a public record version, which does not show more than the last four digits of the social security number. This provision applies to all documents recorded since 1980.

The law allows the county recorder to collect an additional \$1 recording fee for the first page of every instrument, paper, or notice required or permitted by law. The fee to be collected until December 31, 2017 can be used solely for the implementation and ongoing operation of the State mandated SSNTP. In May 2008, the San Mateo County Board of Supervisors (Board) authorized a \$1 recording fee with Resolution No. 069417.

Authorization of the fee required that the County Controller conduct two reviews to verify the funds generated by the fee are used only for the purpose of the program. The first review 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.

The purpose of these two reviews are; (1) to verify that the funds generated by this \$1 fee are used only for the purpose of the SSNTP as described in Article 3.5 (commencing with Section 27300) and for conducting these reviews, (2) to state the progress of the county recorder in truncating recorded documents pursuant to California Government Code Section 27301(a), and, (3) to estimate any ongoing costs to the county recorder for complying with California Government Code Section 27301(a) and 27301(b).

We found that all of the funds collected from the \$1 fee were used only for the SSNTP. Documents from January 1, 1997 through June 30, 2013 have been truncated in accordance to California law and microfilm files from January 1, 1980 through December 31, 1996 still require truncation. The estimated cost between July 1, 2013 and December 31, 2017 is \$729,081. The detailed results of the agreed upon procedures performed for the period January 1, 1997 through June 30, 2013 are provided in Attachment A.

**Agreed Upon Procedures Engagement
Pursuant to California Government Code Section 27361(d)(4)
Social Security Number Truncation Program
Agreed Upon Procedures and Findings**

1. *Verify that the funds generated by the additional \$1 fee pursuant to California Government Code Section 27361(d)(1), are used only for the purpose of the Social Security Number Truncation Program (SSNTP) as described in Article 3.5 commencing with, Section 27300 , and for conducting these reviews.*

Finding: The funds generated by the additional \$1 fee have been used solely on costs related to the SSNTP. Between August 1, 2008 and June 30, 2013, \$908,980 was collected from the additional \$1 fee and \$481,340 was spent on equipment, consulting services, software, and conversion of and redacting documents.

2 *State the progress of the county recorder in truncating recorded documents pursuant to California Government Code Section 27301(a).*

Finding: Digital files created January 1, 1997 through and June 30, 2013 have been redacted and truncated. Installation of redaction software in January 2009 allowed all records to be sent for review by staff for redaction thereafter. Microfilm files created from January 1, 1980 through December 31, 1996 are in the process of being redacted and truncated. We tested a sample of 105 truncated documents and determined the electronic records in the system from January 1, 1997 through June 30, 2013 have been redacted except as described below.

Among the 105 scanned documents tested, two were not properly redacted and two could not be found and therefore, did not comply with the truncation requirements pursuant to California Government Code Section 27302(a) and 27302(b). The two documents that were not properly redacted were Affidavits of Death that were printed on colored paper and processed in 2004 and 2008. We reviewed these documents with County Recorder staff who indicated that since 2008, the scanning equipment and software technology has improved. No errors were found in the remaining 101 documents sampled.

Recommendation: County Recorder management should redact and truncate the two documents identified and locate the two documents that could not be retrieved. Management should also determine the characteristics of the documents that could not be retrieved and create a process to identify these types of errors and ensure the document can be retrieved. We believe that the current procedures and technology used for scanning comply with Government Code Section 27302. We believe that the color paper forms such as the Affidavit of Death would represent a higher risk for redaction and truncation error. The County Recorder should consider if additional review or procedures should be put in place to address this risk. We recommend the County Recorder consider these types of errors as they convert the microfilm files to electronic form and then scan for redaction.

Management Response: The documents that were identified will be redacted, truncated, and verified. The two documents that were not retrieved will be obtained from digital image. We will verify the accuracy and readability of the documents. We will determine why the files were not initially redacted

or could not be retrieved and will implement procedures to ensure that all documents can be redacted, retrieved, and verified.

Currently all documents are processed by vendors Ricoh and SouthTech/Extract. Ricoh is responsible for microfilm conversion from January 1, 1980 through December 31, 1996. SouthTech/Extract are responsible for the digital conversion from January 1, 2009 moving forward and retroactively to 1997. The technology has improved significantly since the inception of the truncation process to provide for more accurate and legible digital images. Digital images can be created from microfilm and the quality may be improved in most cases. As technology improves the procedures we have in place will produce increasingly readable digital images for archiving.

(3) Estimate any ongoing costs to the county recorder for complying with California Government Code Section 27301(a) and 27301(b).

Finding: We reviewed supporting contracts and performed analysis to estimate the ongoing costs for the SSNTP. The County Recorder's Office estimates total ongoing costs through December 31, 2017 to be \$729,081. The estimated costs are for the redaction of remaining records for 1980-1996 (\$336,023), and for the redaction software maintenance and support (\$393,058).

Actual expenditures may differ from what has been estimated. The County Controller will perform a second agreed upon procedures of the SSNTP to verify that the funds generated from the additional \$1 fee are used solely for the program.