

Internal Audit Department

O R A N G E C O U N T Y L a r g e s t C o u n t y i n t h e U S A

FIRST FOLLOW-UP AUDIT AOC SPECIAL REQUEST:

REVIEW OF CLERK-RECORDER FUND 12D REVENUE SOURCES, EXPENDITURES, AND RELATED ACCOUNTING PRACTICES

AS OF JULY 31, 2014

We have completed a First Follow-Up Audit limited to reviewing actions taken, as of July 31, 2014, to implement the thirty-two (32) recommendations from our original audit report dated October 11, 2013.

It should be noted that during our original audit period the former Clerk-Recorder was in office. On December 3, 2012, the former Clerk-Recorder resigned from the position. On April 2, 2013, the Board of Supervisors appointed Hugh Nguyen as Clerk-Recorder.

Our First Follow-Up Audit found that the Clerk-Recorder's Office fully implemented twenty-two (22) recommendations and is in the process of implementing the remaining ten (10) recommendations.

AUDIT NO: 1159B-F1
(REFERENCE 1417)
ORIGINAL AUDIT NO. 1159B

REPORT DATE: OCTOBER 23, 2014

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RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010, 2013



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach



ORANGE COUNTY BOARD OF SUPERVISORS'
Internal Audit Department

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RISK BASED AUDITING

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Transmittal Letter



Audit No. 1159B-F1 October 23, 2014

TO: Hugh Nguyen, Clerk-Recorder

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: First Follow-Up Audit AOC Special Request:
Review of Clerk-Recorder Fund 12D
Revenue Sources, Expenditures, and
Related Accounting Practices, Original Audit
No. 1159-B, Issued October 11, 2013

We have completed a First Follow-Up Audit AOC Special Request Review of the Clerk-Recorder Fund 12D Revenue Sources, Expenditures, and Related Accounting Practices. Our audit was limited to reviewing, as of July 31, 2014, actions taken to implement the **thirty-two (32) recommendations** from our original audit report dated October 11, 2013. We conducted this First Follow-Up Audit in accordance with the *FY 13-14 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors (BOS).

It should be noted that during our original audit period, the former Clerk-Recorder was in office. The former Clerk-Recorder was elected to that position in 2002, and re-elected in 2006 and 2010. On December 3, 2012, the former Clerk-Recorder resigned from the position. On April 2, 2013, the Board of Supervisors appointed Hugh Nguyen as Clerk-Recorder.

The original audit found that the former Clerk-Recorder's Office did not maintain sufficient supporting records for the Fund 12D expenditures, to the extent that the records were inadequate for the purpose of readily determining whether Fund 12D monies were expended in compliance with statutory requirements.

The results of our First Follow-Up Audit are discussed in the **OC Internal Auditor's Report** following this transmittal letter. Our First Follow-Up Audit found the **Clerk-Recorder's Office fully implemented twenty-two (22) recommendations and is in the process of implementing the remaining ten (10) recommendations.**

Each month I submit an **Audit Status Report** to the BOS where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 19.

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Review of Clerk-Recorder Fund 12D
Revenue Sources, Expenditures, and Related Accounting Practices
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OC Internal Auditor's Report

Audit No. 1159B-F1

October 23, 2014

TO: Hugh Nguyen, Clerk-Recorder

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department



SUBJECT: First Follow-Up Audit AOC Special Request: Review of Clerk-Recorder Fund 12D Revenue Sources, Expenditures, and Related Accounting Practices, Original Audit No. 1159B, Issued October 11, 2013



Scope of Review

We have completed a First Follow-Up Audit AOC Special Request Review of the Clerk-Recorder Fund 12D Revenue Sources, Expenditures, and Related Accounting Practices. Our audit was limited to reviewing actions taken, as of July 31, 2014, to implement the **thirty-two (32) recommendations** from our original audit report dated October 11, 2013.

Background

As directed by the Audit Oversight Committee (AOC) at its March 15, 2012 meeting, the objective of the review was to gain an understanding of the Fund 12D revenue sources, expenditures, and related accounting practices.

Our review included discussions with the former and current Clerk-Recorder and key staff and review of relevant documentation including pertinent legal codes, legal opinions, analysis performed by other California counties, and other pertinent documentation supporting the use of the restricted Fund 12D monies.

It should be noted that during our audit period the former Clerk-Recorder was in office. The former Clerk-Recorder was elected to that position in 2002, and re-elected in 2006 and 2010. On December 3, 2012, the former Clerk-Recorder resigned from the position. On April 2, 2013, the Board of Supervisors appointed Hugh Nguyen as Clerk-Recorder.

The original audit found the former Clerk-Recorder's Office did not maintain sufficient supporting records for the Fund 12D expenditures, to the extent that the records were inadequate for the purpose of readily determining whether Fund 12D monies were expended in compliance with statutory requirements.

The original audit identified **twelve (12) Critical Control Weaknesses**, **three (3) Significant Control Weaknesses** and **four (4) Control Findings** where there was inadequate oversight and accounting by the former Clerk-Recorder's Office for the statutorily-restricted Fund 12D.

Results

Our First Follow-Up Audit indicated that the **Clerk-Recorder's Office fully implemented twenty-two (22) recommendations and is in the process of implementing the remaining ten (10) recommendations.**

OC Internal Auditor's Report

Based on our First Follow-Up Audit, the following is the implementation status of **the thirty-two (32)** original recommendations:

Finding No. 1 – Lack of Sufficient Supporting Records for Some of the Fund 12D Expenditures (Critical Control Weakness)

Recommendation No. 1.a: We recommend the Clerk-Recorder develop a methodology, such as job costing or time study, for identifying expenditures as Fund 12D at the time the expenditures are made that would provide for costs to be allocated in a systematic and rational manner that can be audited.

Current Status: **Implemented.** The original audit found that the Clerk-Recorder's Office did not have procedures in place to identify which expenditures were related to Fund 12D at the time the expenditure is made. Since all Clerk-Recorder's Office expenditures are commingled in the operating Fund 059, allowable expenditures should be identified as Fund 12D at the time of payment, not retroactively.

Services, Supplies, and Capital Assets: To properly account for Fund 12D related expenditures, services, supplies, and capital asset expenditures should be coded and recorded as direct expenditures to Fund 12D whenever possible, rather than the operating Fund 059. Alternatively, job numbers could be applied to the expenditures.

Salaries & Benefits: Expenditures for salaries and benefits will likely continue to be budgeted and recorded directly in Fund 059; therefore, the costs should be allocated to Fund 12D in a systematic and rational manner that can be audited.

Our Follow-Up Audit found that the Clerk-Recorder's Office has implemented job numbers to code qualifying expenditures to the appropriate Special Revenue Funds. Expenditures for services and supplies are being directly recorded to Fund 12D, when feasible. We reviewed a sample of current expenditures and noted that job costing was used to code the expenditures to the appropriate Fund 12D sub-fund at the time the expense was made, as recommended.

In addition, the Clerk-Recorder's Office has developed policies and procedures for identifying and allocating qualifying expenditures to the Department's special revenue funds, including costs shared with operating Fund 059. We obtained and reviewed the draft policies & procedures, which appear to provide a reasonable basis for allocating costs in a systematic and rational manner that can be audited, as recommended. Salaries & benefits are recorded in Fund 059 and an operating transfer is performed quarterly from Fund 12D to reimburse Fund 059. We reviewed a sample of recent operating transfers and the methodology and documentation for allocating shared costs appears reasonable.

The above measures will help to accurately identify and allocate qualifying Department expenditures to the appropriate Special Revenue Fund(s). As such, we consider this recommendation **implemented**.

Recommendation No. 1.b: We recommend the Clerk-Recorder clearly document on the invoice the purpose and how the expense specifically complies with the Fund 12D usage requirements.

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Current Status and Planned Action: **In Process.** The original audit found that the Clerk-Recorder's Office was unable to provide sufficient documentation to support the operating transfers made during the audit period to clearly indicate the purpose and how the underlying expenditures specifically complied with Fund 12D usage requirements. In other words, the documentation did not demonstrate a clear connection to the Fund 12D allowed uses. For example:

- Some invoices had descriptions indicating a purpose without a clear connection to the allowed uses, such as credit card fees.
- Some invoices did not have enough specificity to clearly determine whether or not there was a purpose that would comply with usage requirements, such as a server or printer without further explanation.

Documentation should sufficiently identify the purpose or use of the expenditure and how it relates to the specific use requirements of the Fund 12D sub-fund, especially when the expenditures are made out of Fund 059 and are commingled with general operating expenses.

Our Follow-Up Audit found that the Clerk-Recorder's Office has taken steps to utilize job costing to indicate which Fund 12D sub-fund is being used. Clerk-Recorder staff has been instructed to document on the invoices the job number, description of expense, and a brief explanation of how the expense meets the special revenue requirements. We reviewed a sample of documentation supporting recent Fund 12D expenditures and noted that, in some instances, additional detail should be provided to more clearly indicate the purpose and how the expense specifically complies with the Fund 12D usage requirements. We provided our results to the Clerk-Recorder's Office and they are strengthening their policy and procedures as necessary. Implementation is anticipated in September 2014. As such, we consider this recommendation **in process**.

Recommendation No. 1.c: We recommend the Clerk-Recorder develop and document a formal methodology for allocating shared costs between the operating Fund 059 and Fund 12D in a systematic and rational manner that can be audited.

Current Status: **Implemented.** The original audit found that the Clerk-Recorder's Office did not have a documented methodology for allocating shared costs to Fund 12D. In some instances, 100% of certain expenditure types were allocated to Fund 12D, whereas a more appropriate allocation method would be that only a percentage of the expenditures would be allowable.

For any shared costs between operating Fund 059 and Fund 12D, the Clerk-Recorder's Office should develop and document a formal methodology for allocating the costs between Fund 059 and Fund 12D in a systematic and rational manner that can be audited.

Our Follow-Up Audit found that the Clerk-Recorder's Office has developed draft policies & procedures for allocating costs, which will be finalized soon:

1. *Allocating Shared Costs Between Department Funds*
2. *Methodology for Allocating Salary & Benefit Costs to Special Revenue Funds*

Based on our review, the procedures provide a methodology for allocating shared costs in a systematic and rational manner that can be audited, as recommended. As such, we consider this recommendation **implemented**.

OC Internal Auditor's Report

Recommendation No. 1.d: We recommend that the Clerk-Recorder develop clearly defined policy and procedures for determining allowable usage of Fund 12D monies, including a methodology for allocating 12D qualifying expenses that is supportable and auditable, and consider consulting with County Counsel in determining which are qualifying expenditures for 12D.

Current Status and Planned Action: **In Process.** The original audit found that the Clerk-Recorder's Office did not have a written policy for the determination of Fund 12D qualifying expenditures and allowed uses. Without clearly defined criteria for what is an allowable Fund 12D expense, we were unable to determine which expenditures were allowable uses of Fund 12D monies.

Since each of the four (4) primary Fund 12D revenue sources has a specifically restricted use pursuant to the applicable legal statute, the Clerk-Recorder's Office should have clearly defined policy and procedures for determining the allowable usage and qualifying expenditures for each "sub-fund." The policy should include directions or examples of allowed versus not allowed uses.

Our Follow-Up Audit found that the Clerk-Recorder's Office is consulting with County Counsel in determining what are considered qualifying expenditures for Fund 12D usage, including County overhead charges (CWCAP), as recommended. In addition, the Clerk-Recorder's Office has taken preliminary steps to develop policy and procedures to be followed for determining allowable usage of Fund 12D monies, including a methodology for allocating 12D qualifying expenses that is supportable and auditable. Based on our review, the draft policies are still in development and are expected to be implemented in September 2014. We have provided feedback to Clerk-Recorder staff on how the policies and procedures could be enhanced. As such, we consider this recommendation **in process**.

Finding No. 2 – Lack of Sufficient Supporting Records for Some of the Operating Transfers From Fund 12D to Fund 059 (Critical Control Weakness)

Recommendation No. 2.a: We recommend that the Clerk-Recorder implement the recommendations made in Findings No. 1 through No. 4 and then re-evaluate their records for the audit period to determine whether there are sufficient allowable expenditures to support the usage of Fund 12D monies underlying \$4.07 million in operating transfers made in FY 10/11 and FY 11/12, subject to our follow-up audit.

Current Status: **Implemented.** The original audit found that the Clerk-Recorder's Office did not maintain sufficient supporting records for the Fund 12D expenditures underlying approximately \$4.07 million in operating transfers made during the audit period from Fund 12D to Fund 059, to the extent that the records were inadequate for the purpose of readily determining whether Fund 12D monies were expended in compliance with statutory requirements.

Our Follow-Up Audit found that the Clerk-Recorder's Office has taken appropriate steps to substantially implement the recommendations made in Findings No. 1 through No. 4. Specifically, the Clerk-Recorder has developed, in consultation with County Counsel, policies, procedures, and methodologies for the governance of Fund 12D including determining eligible expenditures and for allocating eligible expenditures to the appropriate special revenue funds. These policies and procedures have not been entirely finalized and/or formalized; however, we have reviewed the draft procedures and determined that the methodologies appear reasonable.

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The Clerk-Recorder's Office re-evaluated their records for the audit period of FY 10/11 and FY 11/12 applying these newly developed (draft) policies and procedures, as recommended. We verified their calculation and reviewed pertinent supporting documentation, including Data Warehouse Expense Reports, County Cost Allocation Plans, and invoice copies and determined there are sufficient allowable expenditures to support the usage of Fund 12D monies underlying \$4.07 million in operating transfers made in FY 10/11 and FY 11/12. As such, we consider this recommendation **implemented**.

Recommendation No. 2.b: We recommend that the Clerk-Recorder ensure supporting documentation for Fund 12D operating transfers: 1) clearly identifies the sub-fund where the monies are coming from; 2) is complete and accurate and agrees to the JV total; 3) includes the initial/date of both the preparer and reviewer; and 4) clearly indicates how the expenditure complies with the Fund 12D restricted usage.

Current Status: **Implemented.** The original audit found that documentation supporting the Fund 12D operating transfers processed during the audit period was inadequate and did not comply with County policy.

Our Follow-Up Audit found that the Clerk-Recorder's Office now provides detailed supporting documentation from ERMI and CAPS+ for any Operating Transfer from 12D to Fund 059. We reviewed documentation supporting recent Fund 12D operating transfers. We found that the Operating Transfer JV clearly identifies the expenditure and how it complies with the restricted usage, the sub-fund(s) that the money is coming from, and includes the name (and signatures) of the preparer and reviewer as recommended. Supporting accounting reports and data are used to reconcile and verify the Operating Transfer total and the Sub Fund amounts to ensure completeness and accuracy of transfer amounts. As such, we consider this recommendation **implemented**.

Recommendation No. 2.c: We recommend that the Clerk-Recorder consult with County Counsel to determine whether it is necessary to retroactively evaluate the adequacy of documentation to support Fund 12D operating transfers made prior to the audit period.

Current Status: **Implemented.** Our Follow-Up Audit found that the Clerk-Recorder's Office has determined, in consultation with County Counsel as recommended, that the Clerk-Recorder should review the supporting documentation and accounting records from fiscal year 2010-11 forward. As such, we consider this recommendation **implemented**.

Finding No. 3 – Some of the Fund 12D Fee Revenue Incorrectly Recorded (Critical Control Weakness)

Recommendation No. 3.a: We recommend that the Clerk-Recorder implement the recommendations made in Findings No. 1 through No. 4 and then re-evaluate their records for the audit period to determine whether there are sufficient allowable expenditures to support the usage of \$2.72 million Fund 12D monies incorrectly recorded directly to operating Fund 059 in FY 10/11 and FY 11/12, subject to our follow-up audit. If it is determined after our follow-up audit there is insufficient allowable expenditures to support the \$2.72 million Fund 12D usage, the unsupported amount may need to be returned to Fund 12D; accordingly, we recommend that Clerk-Recorder seek guidance from Orange County Counsel.

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Current Status: Implemented. The original audit found that the Clerk-Recorder's Office Cashiering System was programmed incorrectly, resulting in the incorrect recording of approximately \$2.72 million of restricted Fund 12D fee revenue directly to operating Fund 059 during FY 10/11 & FY 11/12. Also, the Clerk-Recorder's Office did not maintain sufficient supporting records for the Fund 12D expenditures, to the extent that the records were inadequate for the purpose of determining whether the approximately \$2.72 million of restricted Fund 12D monies were expended in compliance with statutory requirements.

Our Follow-Up Audit found that the Clerk-Recorder's Office has taken appropriate steps to substantially implement the recommendations made in Findings No. 1 through No. 4. Specifically, the Clerk-Recorder's Office has developed, in consultation with County Counsel, policies, procedures, and methodologies for the governance of Fund 12D including determining eligible expenditures and for allocating eligible expenditures to the appropriate special revenue funds. These policies and procedures have not been entirely finalized and/or formalized; however, we have reviewed the draft procedures and determined that the methodologies appear reasonable.

The Clerk-Recorder's Office re-evaluated their records for the audit period of FY 10/11 and FY 11/12 applying these newly developed (draft) policies and procedures, as recommended. We verified their calculation and reviewed pertinent supporting documentation, including Data Warehouse Expense Reports, County Cost Allocation Plans, and invoice copies and determined there are sufficient allowable expenditures to support the usage of Fund 12D monies underlying the \$2.72 million in restricted Fund 12D fee revenue incorrectly recorded directly to operating Fund 059 in FY 10/11 and FY 11/12.

The Clerk-Recorder's Office determined there were sufficient eligible Fund 12D Modernization expenditures to cover the incorrectly recorded revenue to Fund 059, including an offsetting transaction to reimburse the \$1.42 million in Fund 12D Micrographics revenue misallocated to Fund 059. The Clerk-Recorder's Office, subsequent to our review, will make the necessary adjustments to record the fee revenue in the appropriate Fund 12D – sub-fund, as recommended. As such, we consider this recommendation **implemented**.

Recommendation No. 3.b: We recommend that the Clerk-Recorder determine the amount of fee revenue incorrectly recorded for the period subsequent to our audit period through the date of correction, and make the necessary adjustments to record the fee revenue in the appropriate Fund 12D – sub-fund.

Current Status: Implemented. Our Follow-Up Audit found that the Clerk-Recorder's Office has calculated \$312,854 of special revenue monies improperly recorded to Fund 059 subsequent to the audit period through the date(s) of correction in FY 2012-13. We reviewed the Clerk-Recorder's Office calculation and supporting documentation and verified the amount appears reasonable.

The Clerk-Recorder's Office, subsequent to our review, will make the necessary adjustments to record the fee revenue in the appropriate Fund 12D – sub-fund, as recommended. As such, we consider this recommendation **implemented**.

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Recommendation No. 3.c: We recommend that the Clerk-Recorder consult with County Counsel to determine whether it is necessary to quantify the amount of fee revenue incorrectly recorded to Fund 059 for periods prior to the audit period, and whether a portion or all of those monies should be returned to Fund 12D.

Current Status: Implemented. Our Follow-Up Audit found that the Clerk-Recorder's Office has determined, in consultation with County Counsel as recommended, that the Clerk-Recorder should review the accounting records and determine the amount of fee revenue incorrectly recorded to Fund 059 from fiscal year 2010-11 forward. As such, we consider this recommendation **implemented**.

Recommendation No. 3.d: We recommend the Clerk-Recorder transfer fee revenue of \$67,109 (\$33,728 for FY 10/11 and \$33,381 for FY 11/12) from the Fund 12D - Health Sub-Fund to the Fund 12D - Security Measures Sub-Fund.

Current Status: Implemented. The original audit found that, beginning 1/1/03, the \$0.65 per copy fee for certified birth & death records (pursuant to HSC 103525.5) restricted for the use of Security Measures was incorrectly recorded in the Fund 12D - Health Sub-Fund. Effective 1/1/06, the fee was reduced to \$0.35 per copy. During our audit period of FY 10/11 and FY 11/12, we estimated that \$67,109 in fee revenue was incorrectly recorded to the Health Sub-Fund instead of the Security Measures Sub-Fund. In October 2012, the Clerk-Recorder's Office created a new Fund 12D sub-fund to properly account for Security Measures fees.

Our Follow-Up Audit found that the Clerk-Recorder's Office has made the necessary adjustments to correctly record Security Measures fee revenue for the audit period of FY 10/11 and FY 11/12. As such, we consider this recommendation **implemented**.

Recommendation No. 3.e: We recommend the Clerk-Recorder determine the amount of Fund 12D fees incorrectly recorded prior to the audit period, from the time of inception 1/1/03 through 6/30/10, and subsequent to the audit period and make the necessary adjustments to record the fee revenue in the Fund 12D – Security Measures Sub-Fund.

Current Status: Implemented. Our Follow-Up Audit found that the Clerk-Recorder's Office has determined, in consultation with County Counsel, that the Clerk-Recorder should review the accounting records and determine the amount of Security Measures fee revenue incorrectly recorded from fiscal year 2010-11 forward. The Clerk-Recorder's Office has evaluated their records and determined that \$9,967 in Security Measures fee revenue was incorrectly recorded to the Health Sub-Fund from July 1, 2012 to the date of correction. We verified this calculation and confirmed that the necessary adjustments were made to correctly record Security Measures fee revenue subsequent to the audit period. As such, we consider this recommendation **implemented**.

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Finding No. 4 – Limited Oversight and Accountability Over Fund 12D (Critical Control Weakness)

Recommendation No. 4.a: We recommend that the Clerk-Recorder develop policy and procedures to be followed for the governance of Fund 12D. The policy should include clearly defined procedures for determining allowable usage of Fund 12D monies, including a methodology for allocating 12D qualifying expenses that is supportable and auditable. The policy should also include clearly defined criteria for identifying microfilm costs that are applicable to the Micrographics Sub-Fund versus the Enhancement Sub-Fund. Documented policy and procedures should be reviewed and approved by management and current versions need to be readily accessible for reference by personnel responsible for Fund 12D.

Current Status and Planned Action: **In Process.** The original audit found that the Clerk-Recorder's Office did not have a written policy for the governance of Fund 12D, including the determination of Fund 12D qualifying expenditures and allowed uses. The Clerk-Recorder's Office should develop a comprehensive policy and procedure for each of the sub-funds within Fund 12D. The policies should emphasize the importance of keeping the sub-funds separately accounted for and ensuring only compliant expenditures are allowed.

Our Follow-Up Audit found that the Clerk-Recorder's Office is in the process of drafting several Policies & Procedures regarding the use and accounting of Fund 12D. We reviewed the draft policies and provided our feedback to Clerk-Recorder management. When finalized, these formalized policies, procedures, and methodologies will help to ensure accountability for Fund 12D. Implementation is anticipated by September 2014. As such, we consider this recommendation in process.

Recommendation No. 4.b: We further recommend that the Clerk-Recorder consider consulting with County Counsel in determining what are considered qualifying expenditures for Fund 12D usage, including County overhead charges (CWCAP).

Current Status: **Implemented.** Our Follow-Up Audit found that the Clerk-Recorder's Office has determined, in consultation with County Counsel as recommended, that the County can spend or apply any Fund 12D fee revenue surplus on allowable fee-related expenses, including both direct and indirect costs (including CWCAP). The Clerk-Recorder's Office intends to consult with County Counsel for their verbal guidance regarding the allowability of future Fund 12D expenditures and plans to submit ASRs for County Counsel review for appropriateness of new or large special revenue expenditures, including Fund 12D usage, as recommended. As such, we consider this recommendation **implemented**.

Finding No. 5 – Reasonableness of Transferring Funds from the Clerk-Recorder's Office to the County General Fund in Net County Cost Contributions (Critical Control Weakness)

Recommendation No. 5: We recommend that Clerk-Recorder review and evaluate the propriety of transferring approximately \$4.9 million in excess revenues (net county cost contributions) from Clerk-Recorder to the County General Fund during the audit period, to ensure those monies were not restricted Fund 12D monies.

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Current Status and Planned Action: **In Process.** The original audit found that the Clerk-Recorder's Office transferred approximately \$4.9 million in "net county cost contributions" from the Clerk-Recorder's Office to the County General Fund during the audit period. For funds within the County General Fund, any revenues in excess of expenditures at the end of the fiscal year are transferred to the County General Fund. This is referred to as "net county cost contributions." The source of the \$4.9 million could be from a number of Clerk and Recorder activities/fees, including restricted and unrestricted monies. If any of these monies are restricted, any unused portion at year-end should not be transferred to the General Fund but should be retained for the intended restricted purpose.

Our Follow-Up Audit found that the Clerk-Recorder's Office is currently reviewing all the department fees per the Government Code and the Health & Safety Code, in consultation with County Counsel. Department fees include "Special Revenues," "Restricted Revenues" and "Unrestricted Revenues." Excess "Special Revenues" and "Restricted Revenues" should not be automatically transferred to the County General Fund. Consequently, Fund 12E was established on February 11, 2014 to move excess Special Revenues and Restricted Revenues at the end of the fiscal year, so they will not be automatically swept to the County General Fund.

It appears excess "Unrestricted Revenues" may be transferred to the County General Fund. Therefore, the Department will determine the amount of excess "Unrestricted Revenue" at the close of each fiscal year, and that amount will be transferred to the General Fund.

The Clerk-Recorder's Office has also hired a consultant (MGT of America, Inc.) to help determine which department fees are "Unrestricted Revenue" and which fees are "Restricted Revenue." Once this study is completed, the Department will identify which unrestricted revenues can be transferred to the County General Fund. This project is currently in progress. Clerk-Recorder management intends to transfer 100% of the excess revenue into Fund 12E at fiscal year-end, and then once the study is completed during next fiscal year, they will transfer any allowable (unrestricted) funds to the General Fund. The study is expected to be completed by mid-August 2014 and the evaluation of excess revenues completed by October 2014.

In addition, the Clerk-Recorder's Office is consulting with County Counsel to help determine whether CWCAP charges might be used to offset any of the \$4.9 million net county cost contributions transferred during the audit period.

The Clerk-Recorder's Office has taken preliminary steps to implement a study to determine the reasonableness of transferring \$4.9M in net county cost to the County General Fund during the audit period. As such, we consider this recommendation **in process**.

Finding No. 6 – Inadequate Accounting Support Staff (Critical Control Weakness)

Recommendation No. 6: We recommend that the Clerk-Recorder hire a permanent, full-time experienced accounting manager to implement proper accounting processes and controls, perform quality assurance reviews of accounting transactions, run the day-to-day accounting operations, and provide needed supervision and training to the accounting staff.

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Current Status: **Implemented.** The original audit found that the Clerk-Recorder's Office lacked adequate permanent, full-time accounting support staff and supervision with appropriate accounting skills and technical training. Numerous examples of accounting issues came to our attention during the audit that led us to conclude that the Clerk-Recorder's Office lacked adequate accounting support.

Our Follow-Up Audit found that the Clerk-Recorder's Office has hired two full-time financial managers. The Department hired an Administrative Manager II with over 25 years of government financial experience to oversee the Department's finance activities and to implement appropriate financial policies and procedures. The Department also hired a full-time Accounting Manager (Administrative Manager I), with a degree in Accounting and nine years experience with the Auditor-Controller's Office, to manage the Department's Accounting group day-to-day operations, implement appropriate accounting controls, and to provide needed supervision and training. The new financial managers provide two additional levels of quality assurance and review for department accounting activities and transactions. As such, we consider this recommendation **implemented**.

Finding No. 7 – Inadequate Controls Over Setting and Changing Certain Fees (Critical Control Weakness)

Recommendation No. 7.a: We recommend that the Clerk-Recorder maintain adequate authoritative documentation to support the amount of fees charged to the public and the basis for the fee allocation in the Cashiering System.

Current Status and Planned Action: **In Process.** The original audit found that the Clerk-Recorder's Office did not have an adequate quality assurance process in place to ensure correct fee amounts are charged and allocated in accordance with statutory requirements and that changes made to the fee amounts and allocations are properly authorized, made correctly and completely, and are properly supported by adequate documentation.

Our Follow-Up Audit found that the Clerk-Recorder's Office is in the process of compiling binders containing a chronological history of all Department fees, including state mandates, Government Code section, Board action, ordinances, cost allocation studies and other relevant documentation supporting the amount of each fee in the department's current fee schedule and fees within the department's cashiering system. Implementation is anticipated in September 2014.

The Clerk-Recorder's Office has taken preliminary steps to assemble the binders and create a monitoring process to ensure adequate authoritative documentation is maintained to support the amount of fees charged to the public and the basis for the fee allocation in the Cashiering System, but this project has not yet been completed. As such, we consider this recommendation **in process**.

Recommendation No. 7.b: We recommend the Clerk-Recorder implement internal controls to ensure that correct fee amounts are charged to the public and that future changes to fee amounts and fee allocations in the Cashiering System are properly authorized, made correctly, and are adequately supported with appropriate documentation.

OC Internal Auditor's Report

Current Status and Planned Action: **In Process.** The original audit found that the Clerk-Recorder's Office did not have an adequate quality assurance process in place to ensure correct fee amounts are charged and allocated in accordance with statutory requirements and that changes made to the fee amounts and allocations are properly authorized, made correctly and completely, and are properly supported by adequate documentation.

Our Follow-Up Audit found that the Clerk-Recorder's Office has drafted three policies and procedures to establish and strengthen controls over setting and changing fees:

1. *Cashiering System Changes*
2. *Annual Review of Clerk Fees*
3. *Annual Review of Recording Fees*

The procedures for *Cashiering System Changes* require any fee changes or updates must first be approved by the Department Head. All fee changes in the Cashiering System must be documented including the specific fee changes made, the date the change was made, and who made the changes. We reviewed documentation of a recent fee change and testing in the Cashiering System which showed the change was properly authorized, made correctly and completely, and was properly supported by adequate documentation.

The procedures for *Annual Review of Clerk & Recording Fees* require annual manager review and revision of all the fees in their section. The section managers will also confirm that the Department Fee Schedules are consistent with the fee amounts in the Department's Cashiering System.

In addition, the Department has implemented a "Fee Matrix" that lists each fee, the amount of the fee per the Department Fee Schedule, the amount of the fee in the Cashiering System, and the amount of the Fee per the Department's "FeeOpedia" (Fee amounts per the Government Code or County Resolution). All three fee amounts should be the same and will facilitate manager review. Per Clerk-Recorder management, the "FeeOpedia" is still in progress and the Fee Matrix is not yet complete. Implementation is anticipated by September 2014.

The Clerk-Recorder's Office has taken steps to ensure changes to fee amounts and fee allocations in the Cashiering System are properly authorized, made correctly, and are adequately supported with appropriate documentation, as recommended. The documentation process to facilitate the monitoring of fee amounts to ensure correct fee amounts are charged is still in progress. As such, we consider this recommendation **in process**.

Finding No. 8 – Limited Oversight Regarding Fund 12D Balance (Critical Control Weakness)

Recommendation No. 8: We recommend that the Clerk-Recorder establish internal controls to ensure that the Fund 12D Activity Summary Schedule is prepared accurately, reconciled to the general ledger, and reflects total fund balance (both reserved and unreserved) by sub-fund.

Current Status: **Implemented.** The original audit found that the Clerk-Recorder's Office did not properly and accurately monitor the \$14.8 million fund balance in Fund 12D. In order to track fund balance by sub-fund, the Clerk-Recorder's Office created a manual schedule to monitor Fund 12D transaction activity. We found that the manual schedule contained errors, was not reconciled to the general ledger, and did not accurately reflect the fund balance per sub-fund.

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Our Follow-Up Audit found that the Clerk-Recorder's Office has revised their fund reconciliation methodology and format (Fund 12D Worksheet and Fund Balance Reconciliation). On a monthly basis, the department reconciles each Fund 12D sub-fund balance to the revenue and expenditure activity from CAPS+ General Ledger Accounting Reports. The Fund 12D Worksheet identifies each sub-fund's monthly beginning balance, monthly revenues and expenditures, ending monthly Fund Balance Available, Fund Balance Reserves, and ending monthly Fund Balance Total which is reconciled to the CAPS+ General Ledger Reports. The worksheet and reconciliation are reviewed for accuracy by a manager.

We reviewed the April 2014 Fund 12D Worksheet and Fund Balance Reconciliation and found that it agreed to the general ledger reports and was reviewed and approved by management. The Clerk-Recorder's Office has taken steps to establish internal controls to ensure that the Fund 12D Worksheet is prepared accurately, reconciled to the general ledger, and reflects total fund balance by sub-fund, as recommended. As such, we consider this recommendation **implemented**.

Finding No. 9 – Update Required to Ensure Certain Fees Charged Recover Actual Costs (Critical Control Weakness)

Recommendation No. 9: We recommend the Clerk-Recorder perform cost studies as required by legal statute and County policy, to ensure that fees charged to the public reflect actual costs.

Current Status and Planned Action: **In Process.** The original audit found that certain fees charged to the public that include a cost recovery component have not been evaluated and updated timely to ensure that actual costs are recovered as required by Government Code (GC) and County Policy.

Our Follow-Up Audit found that the Clerk-Recorder's Office has contracted with a vendor (MGT of America, Inc.) for cost allocation study consulting services to conduct a cost study of the Department's recording fees. Based on our review of the contract and Scope of Work, the study covers the cost recovery portion of the recording fees and vital record copy fees identified in the audit. Per Clerk-Recorder management, the study is currently in process and is anticipated to be completed in September 2014.

The Clerk-Recorder's Office has taken steps to commence a cost study as required by legal statute and County policy to ensure that fees charged to the public reflect actual costs, as we recommended. Since the cost study is in process and has not yet been finalized, we consider this recommendation **in process**.

Finding No. 10 – Errors Noted in Certain Fees Charged (Critical Control Weakness)

Recommendation No. 10.a: We recommend that the Clerk-Recorder consult with County Counsel in determining if further corrective action is required.

Current Status: **Implemented.** The original audit found that the Clerk-Recorder's Office charged an incorrect Government Lien Release Fee of \$10 for recording every release of lien, encumbrance, or notice executed by the state, or any municipality, county, city, district or other political subdivision (Fee Code 003). GC Section 27361.3 authorizes the Clerk-Recorder to charge a fee of \$8, resulting in an overcharge of \$2 per applicable recording. Approximately

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\$95,770 in excess fees was charged in FY 10/11 through FY 11/12. The Clerk-Recorder's Office lowered the fee to \$8 on January 28, 2013.

Our Follow-Up Audit found that the Clerk-Recorder's Office has determined, in consultation with County Counsel, that the Department will establish a mechanism whereby fee payers may obtain a refund of any overcharged amount upon request.

Per Clerk-Recorder management, if a customer can produce documentation that indicates they were overcharged for a Government Lien Release Fee between July 1, 2010 and January 28, 2013, or the department can reasonably conclude from department records that the customer was overcharged a Government Lien Release Fee during that period, a refund of the overcharged amount will be remitted to the customer.

The Clerk-Recorder's Office has corrected the fee amount and has consulted with County Counsel in determining corrective action, as recommended. As such, we consider this recommendation **implemented**.

Recommendation No. 10.b: We recommend that the Clerk-Recorder consult with County Counsel in determining if any other corrective action is required.

Current Status: **Implemented.** The original audit found that the Clerk-Recorder's Office charged an incorrect Map Filing Fee of \$3 for each additional page for recording or filing and indexing maps (Fee Code 088). GC Section 27372 authorizes the Clerk-Recorder to charge of fee of \$2, resulting in an overcharge of \$1 per filing. Approximately \$964 in excess fees was charged in FY 10/11 through FY 11/12. The Clerk-Recorder's Office lowered the fee to \$2 on January 28, 2013.

Our Follow-Up Audit found that the Clerk-Recorder's Office has determined, in consultation with County Counsel, that the Department will establish a mechanism whereby fee payers may obtain a refund of any overcharged amount upon request.

Per Clerk-Recorder management, if a customer can produce documentation that indicates they were overcharged for a Map Filing Fee between July 1, 2010 and January 28, 2013, or the department can reasonably conclude from department records that the customer was overcharged a Map Filing Fee during that period, a refund of the overcharged amount will be remitted to the customer.

The Clerk-Recorder's Office has corrected the fee amount and has consulted with County Counsel in determining corrective action, as recommended. As such, we consider this recommendation **implemented**.

Finding No. 11 – Incomplete Information Regarding the Use of Fund 12D Monies on Four (4) ASRs Submitted to BOS (Critical Control Weakness)

Recommendation No. 11: We recommend that the Clerk-Recorder ensure all future Agenda Staff Reports (ASRs) submitted to the Board of Supervisors for their approval of the use of Fund 12D monies adequately and clearly disclose the funding source as Fund 12D, including restrictions and compliance with restrictions.

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Current Status: Implemented. The original audit found that four (4) Agenda Staff Reports (ASRs) submitted to the Board of Supervisors (BOS) did not accurately or clearly disclose or explain in sufficient detail that: a) the underlying source of monies used to pay for these expenditures was restricted funds from Fund 12D, and b) how the intended use would comply with the funding restrictions.

Our Follow-Up Audit found that the Clerk-Recorder's Office has created an ASR Review Committee comprised of Department Section managers and the Department Head, who review all department ASRs to ensure accuracy of information. As part of this review, the Accounting manager ensures ASRs clearly indicate funding sources and any use of special revenue monies.

The Department has also drafted a policy and procedure - "*Department ASR Process and Procedure*," and created an ASR Check List. The policy and procedure establishes procedures for processing Clerk-Recorder ASRs, and requires reviews by Purchasing, Accounting, IT and County Counsel when appropriate. The procedure requires County Counsel's review when the ASR involves contracts, agreements, new or large special revenue expenditures, property renovations or improvements. The ASR Checklist informs the Department Head which individuals should review the ASR and who has actually reviewed the ASR before it goes to the ASR Review Committee.

If the expense will be reimbursed from Fund 12D, then the ASR should clearly indicate that the underlying source is Fund 12D not Fund 059. So far this fiscal year, there have been no ASRs with restricted funding source Fund 12D submitted to BOS for approval. Clerk-Recorder management confirmed that funding sources would be clearly disclosed on all future ASRs, including restrictions and compliance with restrictions, and would follow the ASR Review process noted above.

The Clerk-Recorder's Office has taken steps in implementing a policy and procedure for the department ASR review process that includes ensuring the funding sources and restrictions are clearly disclosed on the ASR, as recommended. As such, we consider this recommendation **implemented**.

Finding No. 12 – Misclassification of Vital Record Fee Revenue Within Fund 059 (Critical Control Weakness)

Recommendation No. 12.a: We recommend that the Clerk-Recorder create separate general ledger revenue account coding to differentiate fees generated from vital records documents from those fees generated from real property documents.

Current Status: Implemented. The original audit found that some recording fees generated from vital record documents were combined in the same general ledger account as recording fees generated from real property documents. Recording fees should be accounted for and classified separately to differentiate the revenue source to allow the Clerk-Recorder's Office to accurately monitor fee revenue and to estimate costs used in preparation of cost studies.

Our Follow-Up Audit found that the Clerk-Recorder's Office has updated the Fee Distribution schedule in the Cashiering System on October 26, 2013 to revise the account coding for vital records fee codes. This change differentiates the revenue generated from vital records transactions from fee revenue generated from real property document transactions.

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The Clerk-Recorder's Office has taken steps to ensure that fee code classifications and revenue account coding in the cashiering system adequately separate and differentiate the fee revenue source from vital records documents versus real property documents, as recommended. As such, we consider this recommendation **implemented**.

Recommendation No. 12.b: We recommend that the Clerk-Recorder ensure that fee code classifications in the cashiering system are correct and consistent.

Current Status: Implemented. The original audit found part of the fee from death record searches was classified to recording fees. However, similar fee codes for birth and marriage record searches did not classify any amount to recording fees. The Clerk-Recorder's Office was unable to readily determine the reason for the inconsistencies in how the vital record fees were being classified within Fund 059.

Our Follow-Up Audit found that the Clerk-Recorder's Office has reviewed all the fee codes and fee descriptions in the Cashiering System and made the necessary changes so fee codes and descriptions were accurate and consistent throughout the system. We verified that the Fee Distribution schedule in the Cashiering System was updated on October 26, 2013 to revise the vital record fee code allocations to ensure consistency. It appears that vital records fee code allocations are now consistent.

In addition, the Clerk-Recorder's Office has drafted policy and procedures for an annual review of Clerk & Recording Fees. The intent of these procedures is to ensure that current Clerk & Recording Fees comply with Department policy, County and State Policy, and guidelines in California Government Codes and statutes.

The Clerk-Recorder's Office has taken steps to ensure that fee code classifications in the cashiering system are correct and consistent, as recommended. As such, we consider this recommendation **implemented**.

Finding No. 13 – No Strategic Plan Prepared for Managing Fund 12D Monies **(Significant Control Weakness)**

Recommendation No. 13: We recommend the Clerk-Recorder develop a strategic plan for managing and budgeting Fund 12D monies.

Current Status: Implemented. The original audit found that the Clerk-Recorder's Office did not have a strategic plan for managing \$15 million in Fund 12D monies, including approximately \$5 million in annual revenues.

Our Follow-Up Audit found that the Clerk-Recorder's Office has prepared a detailed 5-year Strategic Financial Plan (SFP) for each of the four (4) Fund 12D Sub-Funds: 1) Modernization/Enhancement; 2) Micrographics; 3) Health Statistics; and 4) Security Measures. The plan includes two (2) years of actual fund activity and projected revenues and expenditures (including operating transfers to Fund 059) for the current fiscal year and the future five (5) years.

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The Clerk-Recorder's Office will continue to update and refine the Fund 12D SFP as the fiscal year progresses and as they determine how best to budget and charge qualifying expenditures. The SFP for Fund 12D will be coordinated with the SFP for the Clerk-Recorder's Office general operating fund (Fund 059).

The Clerk-Recorder's Office has taken steps to develop a SFP for managing and budgeting Fund 12D monies, as recommended. As such, we consider this recommendation **implemented**.

Finding No. 14 – Errors Made in Reporting of Fund 12D Fees and Usage to the California Department of Public Health (Significant Control Weakness)

Recommendation No. 14: We recommend the Clerk-Recorder compare revenue and expense balances from the Vital and Health Statistics Trust Fund Report Form to the Fund 12D – Health Sub-Fund General Ledger balances to ensure the report is accurately prepared.

Current Status: **Implemented.** The original audit found that the Clerk-Recorder's Office provided inaccurate reporting of vital and health statistics fee revenue and usage to the California Department of Public Health. We identified errors in amounts reported of up to \$1 million.

This reporting requirement applies only to the portion of the fee deposited to the Clerk-Recorder's Office Fund 12D – Health Sub-Fund (\$1.65 per certified copy) and not to any portion of the fee distributed to the State (\$1.35 per copy).

Our Follow-Up Audit found that the Clerk-Recorder's Office has implemented a procedure to ensure that all information reported on the Vital and Health Statistics Trust Fund Report is reconciled to the General Ledger and CAPS+ Accounting Reports for accuracy. We reviewed the December 31, 2013 report and determined that the amounts reported are in agreement with the General Ledger, as recommended, and the report is now reviewed by an independent person for accuracy. As such, we consider this recommendation **implemented**.

Finding No. 15 – Deposit of Annual Interest Earnings on Restricted Fund 12D Needs Re-evaluation (Significant Control Weakness)

Recommendation No. 15: We recommend Clerk-Recorder seek a County Counsel opinion whether interest earned on monies recorded in Special Revenue Fund 12D should be recorded in Fund 12D.

Current Status: **Implemented.** The original audit found that interest earned on monies recorded in Fund 12D was recorded directly in the County General Fund, with no basis for such an allocation. We estimated that Fund 12D earned approximately \$78,000 in interest earnings in FY 11/12.

Our Follow-Up Audit found that the Clerk-Recorder's Office has determined, in consultation with County Counsel, that interest earned on restricted revenues recorded in Special Revenue Fund 12D should be recorded in Fund 12D. The Clerk-Recorder's Office is currently working with the Auditor-Controller and County Executive Office to maintain Fund 12D interest within Fund 12D.

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The Clerk-Recorder's Office has taken steps to seek a County Counsel opinion regarding interest earned in Fund 12D, as recommended, and is in the process of making the necessary changes to ensure future interest is recorded in Fund 12D. As such, we consider this recommendation **implemented**.

Finding No. 16 – Inaccurate Cashiering System Cumulative Totals Due to System Limitation in Recording Cash Receipt Adjustments (Control Finding)

Recommendation No. 16: We recommend that the Clerk-Recorder work with the vendor to ensure adjustments to cash receipts transactions are processed in the Cashiering System to enable accurate transactional information.

Current Status and Planned Action: **In Process.** The original audit found that some adjustments to cash receipt transactions are documented manually on the daily cashiering reports rather than processed directly in the Cashiering System, resulting in inaccurate cumulative transaction and revenue totals in the Cashiering System reports.

Our Follow-Up Audit found that the software vendor is currently in the process of performing several modifications to the Cashiering System related to the processing of adjusting transactions. In addition, the Clerk-Recorder's Office is creating some new reports from the system database that will allow for better documentation of transactions to balance to daily cash receipts. Implementation is anticipated in September 2014.

The Clerk-Recorder's Office is currently working with the software vendor to ensure adjustments to cash receipts transactions are processed to enable accurate transactional information, as recommended. As such, we consider this recommendation **in process**.

Finding No. 17 – Inaccurate Cashiering System Cumulative Totals Due to Inadequate Testing and Review of System Fixes (Control Finding)

Recommendation No. 17: We recommend that the Clerk-Recorder ensure their system testing is adequately reviewed to validate that fixes to the cashier system software are fully implemented.

Current Status and Planned Action: **In Process.** The original audit found that, due to a system software issue, the cumulative transaction counts and fee totals in the Cashiering System Reports were inaccurate for certain fee codes. The Clerk-Recorder's Office took immediate corrective action to resolve the cause of the discrepancies and reran the reports with the correct cumulative counts and totals.

Our Follow-Up Audit found that the Clerk-Recorder's Office is currently drafting a policy and procedure – *Cashiering System Changes* that requires any changes, updates or fixes to the Cashiering system be validated by Information Systems staff, a "Recording" or "Clerk" Manager and/or an Accounting Manager.

Based on our review of the draft procedure, it applies to both developer/vendor and in-house Cashiering System software changes and includes steps for review and approval of software updates/changes to ensure the changes are authorized and fully implemented, as recommended.

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The software vendor is currently in the process of performing several modifications to the Cashiering System. Clerk-Recorder management indicated they will follow the above procedure to ensure these modifications are fully implemented, which is anticipated in September 2014.

The Clerk-Recorder's Office has taken preliminary steps in drafting a policy and procedure; however the procedure has not yet been finalized and implemented. As such, we consider this recommendation **in process**.

Finding No. 18 – Misclassification of Some Revenue Transfers (Control Finding)

Recommendation No. 18: We recommend that the Clerk-Recorder record future transfers of fee revenue from Fund 12D - Health Sub-Fund to Health Care Agency as an operating transfer journal voucher.

Current Status: **Implemented.** The original audit found that the journal voucher to transfer Fund 12D – Health Sub-Fund revenue to the County Health Care Agency (HCA) was incorrectly recorded as a revenue reclassification instead of an operating transfer. The Clerk-Recorder's Office reclassified approximately \$150,000 in revenue from Fund 12D to HCA during the audit period.

Our Follow-Up Audit found that in November 2013 the Clerk-Recorder's Office began recording transfers of fee revenue to HCA as operating transfer journal vouchers, as recommended. As such, we consider this recommendation **implemented**.

Finding No. 19 – Process Improvement Recommendation (Control Finding)

Recommendation No. 19: We recommend the Clerk-Recorder consider consulting with County Counsel to determine whether the \$1 Enhancement Fee and/or the \$1 Micrographics Fee could be reduced or possibly discontinued.

Current Status and Planned Action: **In Process.** The original audit found that legislative restrictions on Fund 12D usage make it difficult to find qualifying expenditures, which may be creating an excess fund balance in Fund 12D. The balance in Fund 12D at 6/30/12 was over \$14.8 million.

Our Follow-Up Audit found that the Clerk-Recorder's Office consulted with County Counsel to determine whether the \$1 Enhancement Fee or the \$1 Micrographics Fee could be reduced or possibly discontinued. The balance in Fund 12D at 6/30/14 was approximately \$17.5 million.

The Clerk-Recorder's Office has determined, in consultation with County Counsel, that the \$1 Enhancement Fee on "Recordings" is set by Government Code and cannot be reduced or discontinued without an amendment of the statute or further legislation.

The Clerk-Recorder's Office is currently in process of consulting with County Counsel concerning previous multiple opinions issued regarding the use of the \$1 Micrographics Fee. After clarification and analysis of all opinions reached, the Clerk-Recorder will determine the requirement and/or necessity to continue charging the Micrographics Fee. As such, we consider this recommendation **in process**.

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We appreciate the assistance extended to us by Clerk-Recorder staff during our Follow-Up Audit. If you have any questions, please contact me directly at 834-5475 or Alan Marcum, Senior Audit Manager at 834-4119.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Mark Denny, Chief Operating Officer
Paul Lanning, Administrative Services Manager, Clerk-Recorder
Dana Ohanesian, Financial Services Manager, Clerk-Recorder
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