


**County of Ventura**  
**AUDITOR-CONTROLLER**  
**MEMORANDUM**

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**To:** Honorable Mark A. Lunn, County Clerk and Recorder

**Date:** December 30, 2013

**From:**  Jeffery S. Burgh, Assistant Auditor-Controller

**Subject: AUDIT OF THE SOCIAL SECURITY NUMBER TRUNCATION PROGRAM  
FOR THE PERIOD JULY 1, 2008, THROUGH JUNE 30, 2013**

In accordance with California Government Code Section ("GC §") 27361(d)(4) and Resolution No. 209 of the Board of Supervisors ("BOS"), we have completed our audit of the Social Security Number Truncation Program (or "program") implemented by the County Clerk and Recorder ("CCR"). The results of our audit are summarized below.

**BACKGROUND**

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Assembly Bill 1168 was signed into law on October 13, 2007, to protect the public against the risk of identity theft by requiring local agencies to truncate social security numbers before disclosing records to the public. The law required the recorder of each county to establish a Social Security Number Truncation Program to create a "public record" version of each "official record" that contains a social security number. The "public record" is in electronic format and is an exact copy of the "official record" except that any social security number is truncated to display no more than the last four digits. These provisions apply to all documents recorded since January 1, 1980.

As allowed by GC § 27361(d)(1), the BOS authorized a \$1 increase in recording fees to fund the program with Resolution No. 209 on May 20, 2008. The recording fee increase became effective on July 2, 2008. According to GC § 27361(d)(3), the fee must not be charged beyond the term of repayment of a loan secured for implementation of the program. In any event, according to GC § 27361(d)(2), the fee must not continue after December 31, 2017, unless reauthorization is obtained by the BOS.

CCR was authorized by the BOS on July 22, 2008, to borrow \$1,204,056 from the Recorder's Automation Trust Fund (account 6210-7538) to pay the approved vendor contract to truncate social security numbers in electronic official records. The vendor contract estimated the cost of redacting images "back to 1980" at \$822,853 and the cost of redacting "all additional images back to 1935" at \$381,203. Upon completion of work, the vendor invoiced CCR for \$1,188,793 and was paid in September 2008, at a final cost of \$822,853 for redacting images back to 1980 and \$365,940 for redacting additional images back to 1935.

To account for the fee, CCR established the Social Security Truncation Program Trust Fund (account 6210-7542), which reported fee collections and loan repayments to the Recorder's Automation Trust Fund of \$962,333 as of June 30, 2013.

## SCOPE

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Our overall audit objective was to determine whether CCR complied with GC § 27361(d) and accordingly with GC §§ 27300 through 27307 to fund and implement the Social Security Number Truncation Program for the period July 1, 2008, through June 30, 2013. Specifically, GC § 27361(d)(4) required that our review:

- verify that the funds generated by the fee were used only for the purpose of the program, as described in GC §§ 27300 through 27307, and for conducting our review;
- state the progress of CCR in truncating social security numbers in official records that were recorded between January 1, 1980, and December 31, 2008, pursuant to the requirements of GC § 27301(a); and
- estimate any ongoing costs to CCR of complying with GC §§ 27301(a) and (b) for creating public record versions of documents recorded since January 1, 1980.

We performed audit tests and evaluations using documents and records provided by CCR for the period January 1980 through September 2013. Our evaluation included determining whether the \$1 fee was appropriately charged during the 5-year period under review. We also requested an opinion from County Counsel on whether the Government Code allowed the \$1 fee to be charged to fund the cost of redacting official records that were recorded before 1980. The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

## FINDINGS

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Overall, we found that CCR complied with GC § 27361(d) and accordingly with GC §§ 27300 through 27307 to fund and implement the Social Security Number Truncation Program for the period July 1, 2008, through June 30, 2013. Specifically:

- We verified that the funds generated by the fee were used only to repay the amount borrowed from the Recorder's Automation Trust Fund to pay for the cost of truncating social security numbers in electronic official records.
- Our audit tests supported CCR's assertion to the County Recorders Association of California that social security numbers were truncated in all electronic official records recorded between January 1, 1980, and December 31, 2008.
- Our discussions with CCR management disclosed that estimated ongoing costs of complying with GC §§ 27301(a) and (b) consisted solely of minimal staff time for scanning and redacting the limited number of newly recorded documents with social security numbers at a cost of \$100 annually.

Our audit relied on County Counsel's opinion that the Government Code allowed the \$1 fee to fund the cost of truncating social security numbers in official records recorded prior to January 1, 1980. Therefore, this report does not require a response from CCR management regarding the use of the fee to pay the \$365,940 cost of redacting official records from 1935 through 1979.

Although not required, the following response was provided by CCR management.

**Management Response.**

"The County Clerk and Recorder concurs with the audit findings. In July 2008, the Recorder's Office implemented a mandated Social Security Number Truncation Program, funded by a \$1 increase to the recording fee. The purpose of this new program was to protect the public from the risk of identity theft by requiring local recorders to 'truncate' (redact the first five digits of) Social Security numbers from public records before disclosing those records to the public. Although the enabling legislation, AB 1168, required that all records be truncated since January 1, 1980, that same law did not prohibit the truncation of records back to 1935, the year the Social Security Act was enacted. AB 1168 also declared that the intent of the legislature in requiring the truncation of Social Security numbers was to protect the public from the risk of identity theft.

"In full compliance with the mandate under AB 1168 to include all records since 1980, and to further the legislative intent to protect the public from the risk of identity theft, the County Clerk and Recorder recommended in 2008 to use the \$1 recording fee to also redact records from 1935 through 1979. The purpose for including these additional years was to provide further safeguards to the public from the risk of identity theft. The Recorder's Office maintained approximately 12.7 million pages of documents from 1935 through 1979 that could have possibly contained a Social Security number. To have ignored redacting these millions of documents simply because AB 1168 only required truncation of Social Security numbers since 1980 could have potentially placed a significant portion of the public in jeopardy of identity theft. In consideration of this risk to the public, the County Clerk and Recorder reasoned that the necessary and only responsible course of action to protect our citizens was to recommend the truncation of all documents since the inception of the Social Security program in 1935.

"County policy requires that all recommendations regarding new fees and programs, prior to being approved by the Board of Supervisors, undergo an independent review and recommendations by the County Executive Office, Auditor-Controller's Office, and County Counsel. This new program, including the recommendation to include the years 1935-1979, was fully reviewed in 2008 prior to the Board's adoption of the program and additional \$1 recording fee. The audit staff's recent request for a County Counsel opinion that the \$1 recording fee could also be used to fund the cost of truncating Social Security numbers prior to 1980, confirmed the earlier review in 2008, prior to the adoption of this program, that this was an allowable use of the \$1 recording fee."

We appreciate the cooperation and assistance extended by you and your staff during this audit.

cc: Honorable Peter C. Foy, Chair, Board of Supervisors  
Honorable Steve Bennett, Vice Chair, Board of Supervisors  
Honorable Linda Parks, Board of Supervisors  
Honorable Kathy Long, Board of Supervisors  
Honorable John C. Zaragoza, Board of Supervisors  
Michael Powers, County Executive Officer