

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

437



FROM: Auditor-Controller

SUBMITTAL DATE:
October 1, 2015

SUBJECT: Internal Audit Report 2015-020: Riverside County Office of the Assessor-County Clerk - Recorder, County Clerk-Recorder Division, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2015-020: Riverside County Office of the Assessor-County Clerk -Recorder, County Clerk-Recorder Division

BACKGROUND:

Summary

We have completed an audit of Riverside County Office of the Assessor-County Clerk-Recorder, County Clerk-Recorder Division to provide management, and the Board of Supervisors with an independent assessment of the division's internal controls over selected revenue. We conducted the audit from April 6 through June 25, 2015 for operations for the period July 1, 2012 through June 30, 2015. Based upon the results of our audit, we identified opportunities for improvement

(Continued on page 2)

Paul Angulo
Paul Angulo, CPA, CGMA, MA
Riverside County Auditor-Controller

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	

SOURCE OF FUNDS: N/A

Budget Adjustment: No
For Fiscal Year: n/a

C.E.O. RECOMMENDATION:

APPROVE

BY: *Samuel Wong 10/18/15*
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

Departmental Concurrence

- Positions Added
- Change Order
- A-30
- 4/5 Vote

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-5

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Internal Audit Report 2015-020: Riverside County Office of the Assessor-County Clerk-Recorder,
County Clerk-Recorder Division, [District: All]; [\$0]

DATE: October 1, 2015

PAGE: Page 2 of 2

BACKGROUND:

Summary (continued)

of internal controls relating to required Board approval to change fees. We determined the County Clerk-Recorder Division's internal controls over selected revenue provide reasonable assurance that its objectives will be achieved. Reasonable assurance recognizes internal control has inherent limitations, including costs, mistakes, and intentional efforts to bypass internal controls.

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: County of Riverside Auditor-Controller's Office - Internal Audit Report 2015-020: Riverside County Office of the Assessor-County Clerk-Recorder, County Clerk-Recorder Division

Internal Audit Report 2015-020

**Riverside County Office of the Assessor-
County Clerk-Recorder, County
Clerk-Recorder Division**

Report Date: October 1, 2015



**Office of Paul Angulo, CPA, CGMA, MA
County of Riverside Auditor-Controller
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ACC | **AUDITOR
CONTROLLER**
COUNTY OF RIVERSIDE

Paul Angulo, CPA, CGMA, MA
County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

October 1, 2015

Mr. Peter Aldana
Assessor-County Clerk-Recorder
Riverside County Office of the Assessor-County Clerk-Recorder
2724 Gateway Drive
Riverside, CA 92507

Subject: Internal Audit Report 2015-020: Riverside County Office of the Assessor-County Clerk-Recorder, County Clerk-Recorder Division

Dear Mr. Aldana:

We have completed an audit of Riverside County Office of the Assessor-County Clerk-Recorder, County Clerk-Recorder Division to provide management and the Board of Supervisors with an independent assessment of the division's internal controls over selected revenue. We conducted the audit from April 6 through June 25, 2015 for operations for the period July 1, 2012 through June 30, 2015.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to assess the adequacy of internal controls.

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to required Board of Supervisors' approval to change fees. We determined the County Clerk-Recorder Division's internal controls over selected revenue provide reasonable assurance that its objectives will be achieved. Reasonable assurance recognizes internal control has inherent limitations, including costs, mistakes, and intentional efforts to bypass internal controls.

**Internal Audit Report 2015-020: Riverside County Office of the Assessor-County Clerk-Recorder,
County Clerk-Recorder Division**

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to the reported condition and recommendations contained in our report. Management's responses are included in the report.

We thank the Riverside County Office of the Assessor-County Clerk-Recorder, County Clerk-Recorder Division management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, CGMA, MA
Riverside County Auditor-Controller



René Casillas, CPA, CRMA
Interim Chief Internal Auditor

cc: Board of Supervisors
Executive Office
Grand Jury
District Attorney's Office

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Executive Summary

Overview

Riverside County Office of the Assessor-County Clerk-Recorder consists of four divisions:

- Assessor
- County Clerk-Recorder
- Records Management and Archives Program
- County of Riverside Enterprise Solutions for Property Taxation

Effective May 11, 2015, the department's Clerk and Recorder Document (CARD) System went live, thus, online searches of the clerk registry index for fictitious business names, registered notaries, environmental filings and registrations became available. The CARD system offers the ability to submit online applications for marriage licenses and fictitious business names. However, personal attendance is still required to complete the process. Also, the system computes all fees charged to clients, except documentary transfer taxes which are manually computed.

Our audit focused specifically on the County Clerk-Recorder Division, which is comprised of approximately 171 employees located in six offices throughout Riverside County. The offices are located in Blythe, Hemet, Indio, Temecula, and two in Riverside (2724 Gateway Drive and County Administrative Center, 4080 Lemon Street). The County Clerk-Recorder Division consists of two sections - County Clerk and Recorder.

The County Clerk Section provides the following services:

- Files fictitious business name statements.
- Files statements of abandonment of use of fictitious business name.
- Files withdrawal from partnership operating under a fictitious business name.
- Issues public and confidential marriage licenses.
- Performs civil marriage licenses (by appointment only).
- Provides certified copies of confidential marriage licenses (with proper identification).
- Registers notary public oaths and commissions.
- Authenticates notary public signatures.
- Registers process servers, e.g. unlawful detainer assistants, professional photocopiers, and legal document assistants.
- Receives negative declarations, notices of determination, and notices of exemption.
- Receives admitted surety insurer powers of attorney.
- Maintains roster of elected and appointed county officials.
- Files Grand Jury final reports.

**Internal Audit Report 2015-020: Riverside County Office of the Assessor-County Clerk-Recorder,
 County Clerk-Recorder Division**

The Recorder Section is responsible for providing constructive notice of private acts and creating and maintaining custody of permanent records for all documents filed and recorded in the County of Riverside. In addition to providing access to information regarding land and land ownership, it is also the local registrar of marriages and maintains copies of all certificates of marriage, birth, and death which occur in the County of Riverside.

The County-Clerk Recorder Division is a general government function partially supported through general fund contributions (net county cost). The table below depicts actual revenue, expenditures, and net county cost for the past four fiscal years from Fiscal Year 2011-12 through 2014-15 (as of May 31, 2015). Fiscal Years 2012-13 through 2014-15 were the period under audit review:

Four-year Financial Reporting (Dollars in Thousands)

Fiscal Year	Revenue	Expenditures	Net County Cost
2011-12	\$22,120	\$14,770	(\$7,350)
2012-13	22,670	15,760	(6,910)
2013-14	28,730	21,720	(7,010)
2014-15 (As of May 31, 2015)	26,030	15,240	(10,790)

Source: *Simpler Financials*

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of the County Clerk-Recorder Division's internal controls over selected revenue. The audit covered the period July 1, 2012 through June 30, 2015.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to required Board approval to change fees. We determined the County Clerk-Recorder Division's internal controls over selected revenue provide reasonable assurance that its objectives will be achieved. Reasonable assurance recognizes internal control has inherent limitations, including costs, mistakes, and intentional efforts to bypass internal controls.

Revenue

Background

The total County Clerk-Recorder Division revenue in Fiscal Years 2012-13, 2013-14, and 2014-15 (as of May 31, 2015) were \$22,670,000, \$28,730,000, and \$26,030,000, respectively, with more than 90% attributable to the following:

- Documentary transfer tax: Tax imposed on each deed, instrument, or writing by which any lands, tenements, or other real property sold within the County of Riverside shall be granted, assigned, transferred, or otherwise conveyed to, or vested in the purchaser(s), or any other person(s), by his, her, or their direction, when the consideration or value of the interest or property conveyed (exclusive of the value of any lien or encumbrance remaining thereon at the time of sale) exceeds \$100.

County of Riverside Ordinance Number 516, Section 3 and Revenue and Tax Code Section 11911 state that the documentary transfer tax shall be computed at the rate of \$0.55 for each \$500 or fractional part thereof of the consideration or value of the interest or property conveyed (exclusive of the value of any lien or encumbrance remaining thereon at the time of sale).

In August 1991, the County of Riverside and the City of Riverside executed a Memorandum of Understanding for the collection of taxes under the real property transfer tax ordinance of the City of Riverside, City Ordinance Number 5942 and agreed the City of Riverside pay the County of Riverside 5% of the amount of taxes collected.

- Clerk fees: Fees imposed on fictitious business name applications, marriage licenses, and certified copies, searches, and certification of recorded documents, such as marriage, birth, and death. A portion of marriage licenses, and other vital record fees are reported to and remitted to the State Registrar on a monthly basis, and are increased periodically pursuant to Health and Safety Code, Sections 100425, 100430, and 100435.
- Recording fees: Fees for recording and indexing every instrument, paper, or notice required or permitted by law to be recorded. Pursuant to Government Code 27361 (a), *Chapter 6. Recorder: Fees*, the fee shall not exceed \$10 for recording the first page and \$3 for each additional page, to reimburse the county for the costs of services rendered, except the recorder may charge additional fees in accordance with Government Code 27361(1) and (2).
- Recorder modernization: All documents recorded and filed in the County Clerk-Recorder Division are optically scanned and made available for public viewing daily. Pursuant to Government Code 27361(a)(2)(c), \$1 for recording the first page and \$1 for each additional page shall be available solely to support, maintain, improve, and provide for the full

**Internal Audit Report 2015-020: Riverside County Office of the Assessor-County Clerk-Recorder,
County Clerk-Recorder Division**

operation for modernized creation, retention, and retrieval of information in each county's system of recorded documents.

These and other fees, except documentary transfer tax, were established through the County of Riverside Ordinance No. 729, *An Ordinance Establishing Fees, Charges and Rates for Assessor, County Clerk and Recorder Services* (County Ordinance Number 729).

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of the County Clerk-Recorder Division's internal controls over selected revenue.

Audit Methodology

To accomplish our objective, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and board ordinances.
- Conducted interviews and performed walk-throughs with County Clerk-Recorder Division's personnel to obtain an understanding of their revenue process.
- Performed financial analytical review for three fiscal years starting with Fiscal Year 2012-13 through Fiscal Year 2014-15 (as of May 31, 2015).
- Selected a sample of 53 revenue transactions valued at \$58,048 for review.

Finding 1: Required Board Approval to Change Fees

The County Clerk-Recorder Division was not in compliance with Board of Supervisors' (Board) Policy B-4, *Rates Charged for Account Services*, which requires Board approval to change an existing fee for services. Rather than charging a \$10 fee as authorized by County Ordinance Number 729, the County Clerk-Recorder Division reduced the certified copy fee for fictitious business statement to two dollars (\$2) without a public hearing or Board approval. According to the County Clerk-Recorder Division, the \$10 fee included \$2 for photo copying and \$8 for research. After implementing the fee, they discovered no research time was involved in the service. Therefore, they reduced the fee to \$2. In addition, they are aware the fee requires Board approval which they plan to obtain in their upcoming fee study.

Recommendation 1.1

Request for immediate approval for the \$2 fee or change the rate to \$10.

Internal Audit Report 2015-020: Riverside County Office of the Assessor-County Clerk-Recorder,
County Clerk-Recorder Division

Management's Response:

"Concur."

Actual/estimated Date of Corrective Action: **November 2015**

Recommendation 1.2

Ensure any fee adjustment is approved by the Board of Supervisors prior to its implementation.

Management's Response:

"Concur."

Actual/estimated Date of Corrective Action: **Immediately**