



# INTERNAL AUDIT DEPARTMENT



**First & Final Close-Out Follow-Up  
Internal Control Audit:  
Clerk-Recorder Senate Bill 2  
Building Homes and Jobs Act Review**

**As of April 22, 2021**

**Audit No. 2039-L (Reference 1919-F1)  
Report Date: May 4, 2021**

## Recommendation Status

**2**

**Implemented**

**0**

**In Process**

**0**

**Not Implemented**

**0**

**Closed**

## OC Board of Supervisors

CHAIRMAN ANDREW DO  
1st DISTRICT

VICE CHAIRMAN DOUG CHAFFEE  
4th DISTRICT

SUPERVISOR KATRINA FOLEY  
2nd DISTRICT

SUPERVISOR DONALD P. WAGNER  
3rd DISTRICT

SUPERVISOR LISA A. BARTLETT  
5th DISTRICT



## INTERNAL AUDIT DEPARTMENT

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Audit No. 2039-L  
(Reference 1919-F1)

May 4, 2021

To: Hugh Nguyen  
Clerk-Recorder

From: Aggie Alonso, CPA, CIA, CRMA  
Internal Audit Department Director

Subject: First & Final Close-Out Follow-Up: Clerk-Recorder Senate Bill 2 Building Homes  
& Jobs Act Review

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We have completed a follow-up of the Clerk-Recorder (C-R) Senate Bill 2 Building Homes and Jobs Act review as of April 22, 2021, original Audit No. 1919, dated August 19, 2020. Details of our results immediately follow this letter. Additional information including background and our scope is included in Appendix A.

Our first follow-up concluded C-R implemented the two (2) recommendations. Because both recommendations were implemented, this report represents the final close-out of the original audit.

We appreciate the assistance extended to us by C-R personnel during our follow-up audit. If you have any questions, please contact me at 714.834.5442 or Assistant Director Scott Suzuki at 714.834.5509.

### Attachments

#### Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Clerk-Recorder Distribution
- Robin Stieler, Clerk of the Board of Supervisors
- Foreperson, Grand Jury
- Eide Bailly, LLP, County External Auditor

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## RESULTS

|                       |   |
|-----------------------|---|
| <b>FINDING NO. 1</b>  | The system has appropriate access controls. However, we noted seven users who no longer required access retained access. In addition, the user for one active username could not be identified.   |
| <b>CATEGORY</b>       | <b>Control Finding</b>  |
| <b>RECOMMENDATION</b> | C-R management perform periodic user access review of the cashiering system.  |
| <b>CURRENT STATUS</b> | <b>Implemented.</b> C-R has implemented a quarterly user access review of the cashiering system and most recently completed a review for the quarter ended March 31, 2021. In addition, we verified the eight users originally identified as no longer requiring access have been removed.<br><br>Based on the actions taken by C-R, we consider this recommendation implemented.   |
| <b>FINDING NO. 2</b>  | Administrative costs were appropriately deducted from the fees remitted based on actual hours charged to the VTI job number. However, we noted the C-R may be able to enhance its recovery of administrative costs.<br><br>The data suggests that administrative costs are being under-recovered. SB 2 related documents account for 64% of total documents processed by the department; however, document examiners only code approximately 10% of total unit hours to the designated SB 2 Housing Fee Admin VTI job number used to track administrative costs.              |
| <b>CATEGORY</b>       | <b>Control Finding</b>  |
| <b>RECOMMENDATION</b> | C-R management develop a method to ensure administrative costs are fully recovered.   |
| <b>CURRENT STATUS</b> | <b>Implemented.</b> C-R has completed a time study of the document recording process to develop a SB2 Cost Per Unit of Service rate, which was determined to be \$3.02, to ensure actual and necessary administrative costs incurred in carrying out SB2 are fully recovered. We reviewed support documents that validate the time study and rate development. In addition, we confirmed this rate was applied appropriately to the most recent State remittance for SB2 Housing Fees.<br><br>Based on the actions taken by C-R, we consider this recommendation implemented. |



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| <b>AUDIT TEAM</b> | Scott Suzuki, CPA, CIA, CISA, CFE<br>Michael Dean, CPA, CIA, CISA<br>Gianne Morgan, CIA<br>Stephany Pantigoso<br>Mari Elias, DPA | Assistant Director<br>Senior Audit Manager<br>Audit Manager<br>Senior Auditor<br>Administrative Services Manager |
|-------------------|--|--|

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## APPENDIX A: ADDITIONAL INFORMATION

|                   |  |
|-------------------|--|
| <b>SCOPE</b>      | Our follow-up audit was limited to reviewing actions taken by C-R as of April 22, 2021 to implement the two (2) recommendations from our original Audit No. 1919, dated August 19, 2020. |
| <b>BACKGROUND</b> | The original audit reviewed C-R fees generated from the implementation of Senate Bill 2. The original audit identified two (2) Control Findings.   |



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## APPENDIX B: FOLLOW-UP AUDIT IMPLEMENTATION STATUS

| Implemented   | In Process   | Not Implemented   | Closed  |
|---|--|---|---|
| The department has implemented our recommendation in all respects as verified by the follow-up audit. No further follow-up is required. | The department is in the process of implementing our recommendation. Additional follow-up may be required. | The department has taken no action to implement our recommendation. Additional follow-up may be required. | Circumstances have changed surrounding our original finding/ recommendation that: (1) make it no longer applicable or (2) the department has implemented and will only implement a portion of our recommendation. No further follow-up is required. |

