



County of Santa Clara

**Controller-Treasurer Department
Internal Audit Division**

John V. Guthrie
Director of Finance Agency

Bill Perrone, CIA
Internal Audit Manager

May 30, 2008

Assignment 10163

To: Distribution List

Subject: Internal Audit Report: Custody Audit- Office of the Clerk-Recorder

We have completed a custody audit of the Office of the Clerk-Recorder (OCR) as of March 31, 2007. We conducted the audit from April 2007 through May 2008.

We thank the staff of OCR for their cooperation. Their assistance contributed significantly to the successful completion of the audit.

Respectfully submitted,

Signatures are on file.

Bill Perrone, CIA
Internal Audit Manager

Vinod Sharma
Controller-Treasurer

Distribution List:

Gina Alcomendras, Clerk-Recorder
Lorna Fernandez, Accounting Manager, OCR
John V. Guthrie, Director of Finance
Wardell House, Jr., Assistant Clerk-Recorder
Peter Kutras, Jr., County Executive
Board of Supervisors
Civil Grand Jury

COUNTY OF SANTA CLARA

CONTROLLER-TREASURER DEPARTMENT – INTERNAL AUDIT DIVISION

INTERNAL AUDIT REPORT

Custody Audit: Office of the Clerk-Recorder



Assignment 10163
May 30, 2008

Table of Contents

	Page
Executive Summary	1
Conclusion	1
Audit Objective and Scope	1
Audit Background.....	1
Independent Auditor’s Report.....	2
Statement of Assets	3
Notes to the Statement of Assets	4

Executive Summary

Conclusion Based upon the results of our testing, we express an unqualified opinion on the \$12,839,344 of reported assets.

Audit Objective and Scope The audit objective was to perform a financial audit of the Office of the Clerk-Recorder's reported assets as specified by the County Charter. The scope of the audit included:

- Testing internal controls over the assets
- Verifying the existence, valuation and completeness of amounts of the assets
- Determining whether the assets under the department's control are fairly presented in conformity with generally accepted accounting principles as of March 31, 2007.

Audit Background The Santa Clara County Charter Section 602(b) requires an audit upon the vacancy in any office charged with the responsibility for County assets. Ms. Brenda Davis retired in July 2006 and Ms. Gina Alcomendras was appointed Clerk-Recorder in November 2006. Since more than four months had passed from the transfer date, we mutually agreed to establish the audit date of March 31, 2007.

We conducted our audit in accordance with the Professional Practices Framework established by the Institute of Internal Auditors.

Signatures are on file.

Bill Perrone, CIA
Internal Audit Manager

Vinod Sharma
Controller-Treasurer

INDEPENDENT AUDITOR’S REPORT

Ms. Gina Alcomendras
Office of the Clerk-Recorder
San Jose, California

We have audited the accompanying Statement of Assets of the Office of the Clerk-Recorder (OCR) as of March 31, 2007. This statement is the responsibility of the Clerk-Recorder’s Office. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Assets is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Assets. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the Statement of Assets. We believe that our audit provides a reasonable basis for our opinion.

Additionally, the Statement of Assets is presented to report the assets for which the manager has custodial responsibility and is not intended to present fairly the financial position and results of operations of OCR.

In our opinion, the Statement of Assets referenced above, presents fairly, in all material respects, the assets under the control of the department as of March 31, 2007, in conformity with generally accepted accounting principles.

May 20, 2008

Signatures are on file.

Bill Perrone, CIA
Internal Audit Manager

Sandra Bryant
Auditor-in-Charge

Vinod Sharma
Controller-Treasurer

Santa Clara County, Internal Audit Division

**COUNTY OF SANTA CLARA
OFFICE OF THE CLERK-RECORDER
STATEMENT OF ASSETS
MARCH 31, 2007**

	Reported Assets	Audit Adjustments	Adjusted Balance
Cash and Investments (Note 2)	10,533,407	0	10,533,407
Imprest (Petty) Cash (Note 3)	4,700	0	4,700
Accounts Receivable (Note 4)	675,578	0	675,578
Due from other Governments (Note 5)	32,350	0	32,350
Fixed Assets (Note 6)	1,593,309	0	1,593,309
TOTAL	12,839,344	0	12,839,344

The accompanying notes are an integral part of this statement.

**COUNTY OF SANTA CLARA
OFFICE OF THE CLERK-RECORDER
NOTES TO THE STATEMENT OF ASSETS
MARCH 31, 2007**

Note 1 Summary of Significant Accounting Policies

The Office of the Clerk-Recorder’s (OCR) Statement of Assets is prepared in accordance with generally accepted accounting principles (GAAP). The Statement of Assets is presented to report the assets for which OCR has responsibility and is not intended to present fairly the financial position and results of operations of OCR. The following is the summary of significant accounting policies.

OCR accounts for its financial activities in the General, Trust, and Special Revenue Funds using the modified accrual basis of accounting. The modified accrual basis recognizes revenues and related receivables when they are both “measurable and available.” Measurable is the determinable amount earned while available is the collectable amount anticipated within the current period, or shortly thereafter, to pay current liabilities.

Note 2 Cash and Investments

The cash and investments for the General, Trust, and Special Revenue Funds are maintained in the County’s cash and investment pool. The Internal Audit Division audits the cash in the pool monthly; therefore, Internal Audit did not include testing for the cash and investment pool in this custody audit. The cash and investments balance consist of the following:

Commingled (General Fund)	\$4,739
Commingled (Trust Fund 0024)	672,272
Commingled (Trust Fund 0026)	9,140,824
Commingled (Trust Fund 0027)	720,273
Total Cash and Investments	\$10,538,107

Note 3 Imprest (Petty) Cash

The Controller-Treasurer issues petty cash funds to departments for minor purchases.

Note 4 Accounts Receivable

The \$675,577 consists of receivables from title companies for recording documents with OCR. The OCR records revenue receivables monthly.

Note 5 Due from other Governments

The \$32,350 consists of amounts owed to OCR for recording liens for various government agencies.

Note 6 Fixed Assets

Fixed Assets are recorded at original cost. Since OCR is accounted for under the modified accrual basis of accounting, book value depreciation is not computed. The fixed assets consist of equipment, low value assets (original cost less than \$5,000), and application software.

Equipment	1,310,937
Low Value Assets	232,372
Application Software	50,000
Total Fixed Assets	<u>1,593,309</u>