



Internal Audit Department

O R A N G E C O U N T Y

AUDIT HIGHLIGHT FEBRUARY 21, 2013

AOC SPECIAL REQUEST REVIEW OF COUNTY'S PURCHASE OF REAL PROPERTY USING CLERK-RECORDER SPECIAL REVENUE FUND 12D Audit No. 1159-A

WHY IS THIS AUDIT IMPORTANT?

The Clerk-Recorder's Fund 12D is a Special Revenue Fund containing monies that have a restricted purpose, as specified by Government Code 27361. Use of the monies is restricted "...solely to support, maintain, improve, and provide for the full operation for modernized creation, retention, and retrieval of information in each county's system of recorded documents." As directed by the Audit Oversight Committee at its March 15, 2012 meeting, the objective of our review was to determine whether the County's acquisition of real property for about **\$2.1 million** located at 433 Civic Center Drive West, Santa Ana, in March 2008 was a permissible use of the Special Revenue Fund 12D monies pursuant to Government Code 27361.

WHAT THE AUDITORS FOUND

Successes

Our audit found that the County's acquisition of real property for about **\$2.1 million** located at 433 Civic Center Drive West appears to be a permissible use of Fund 12D monies, pursuant to Government Code 27361, as long as the property is used to store the appropriate records: specifically, *recorded* real property documents. If the property is used to store any other records, then Fund 12D should be reimbursed proportionately.

Audit Findings and Control Recommendations

Our audit disclosed findings related to the quality of information provided to the Board of Supervisors and CEO for their decision making. Specifically, our audit identified **two (2) Critical Control Weaknesses** in the County Agenda Staff Report (ASR) process that need to be improved as the ASR prepared and submitted by the County Executive Office to the Board of Supervisors did not contain material and relevant information needed for making a decision whether to acquire the subject property, including such issues as: 1) the estimated renovation cost information of \$3.56 million was not included in the ASR and 2) the funding source restrictions, intended use of the property, and compliance with funding restrictions were not clearly explained in the ASR. We also identified **two (2) Significant Control Weaknesses** where: 1) an authoritative opinion regarding the propriety of using Fund 12D restricted funds to acquire the property was not obtained prior to the acquisition and 2) a written plan for the property has not been developed as of this date. In addition, we identified **two (2) Control Findings** where: 1) a minimal quantity of non-qualifying documents are currently being stored at the subject property and 2) a written County policy is needed that clearly defines and establishes Corporate Real Estate's responsibilities and authorities.