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May 22, 2020

TO: Dean C. Logan  
Registrar-Recorder/County Clerk

FROM: Mike Pirolo, Chief   
Audit Division

SUBJECT: **REGISTRAR-RECORDER/COUNTY CLERK – IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (CASE #2017-13139) - FIRST AND FINAL FOLLOW-UP REVIEW**

We have completed a follow-up review of the Registrar-Recorder/County Clerk (RR/CC or Department) Improvement Opportunities Noted During Limited Review dated February 1, 2019 (Case #2017-13139). As summarized in Table 1, RR/CC fully implemented two recommendations to enhance their real property document recording processes for over the counter transactions and one recommendation is no longer applicable due to changes in the Department’s document recording process.

**Table 1 - Results of First Follow-up Review**

PRIORITY RANKINGS	TOTAL RECOS	RECOMMENDATION IMPLEMENTATION STATUS			
		NO LONGER APPLICABLE	FULLY IMPLEMENTED	OUTSTANDING RECOMMENDATIONS	
				PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
PRIORITY 1	2	1	1	0	0
PRIORITY 2	1	0	1	0	0
PRIORITY 3	0	N/A	N/A	N/A	N/A
TOTAL	3	1	2	0	0
				0	

Attachment I details our review and the Department’s corrective actions.

We thank RR/CC management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Mike Pirolo at (213) 253-0100.

AB:PH:MP:YK:cc

Attachment (Report #K20EM)

c: Arlene Barrera, Auditor-Controller  
Audit Committee  
Office of Countywide Investigations

# LOS ANGELES COUNTY AUDITOR-CONTROLLER

**Peter Hughes**  
ASSISTANT AUDITOR-CONTROLLER

**Mike Pirola**  
DIVISION CHIEF

## AUDIT DIVISION

Report #K20EM

### REGISTRAR-RECORDER/COUNTY CLERK – IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (CASE #2017-13139) – FIRST AND FINAL FOLLOW-UP REVIEW

	RECOMMENDATION	A-C COMMENTS
1	<p><b>Priority 1</b> - Registrar-Recorder/County Clerk (RR/CC or Department) management re-examine the real property document recording verification process and criteria, to prevent document recording services providers from circumventing the recording verification process and improperly obtaining "special" or same-day recordings.</p> <p><b>Original Issue/Impact:</b> At least one document recording services provider is aware of the Department's verification process and criteria and provided specific instructions to title company personnel on how to circumvent the Department's real property document verification process. As a result, document recording services may deceive RR/CC staff to obtain improper same-day recordings and gain an inappropriate competitive advantage.</p>	<p><b>Recommendation Status: Implemented</b></p> <p>We confirmed RR/CC management re-examined the real property document recording verification process and criteria and revised procedures to help prevent document recording services from circumventing the recording verification process and improperly obtaining "special" or same-day recordings. The revised procedures require that specific parties always be present with proper identification to obtain same-day over the counter recordings for all ownership transfer documents. Previously, this requirement only applied to title company-prepared documents. We also confirmed RR/CC management reminded staff of the revised procedures and periodically reviews ownership transfer documents against electronically logged identifications to ensure improper same-day recordings did not occur.</p>
2	<p><b>Priority 1</b> - RR/CC management ensure that Document Analysis Recording supervisors are aware of and comply with the requirement to complete and sign Document Analysis Recording – Title Company Document Approval (DAR-TCDA) Logs, including specifically identifying the supervisor who provided each approval on the log.</p> <p><b>Original Issue/Impact:</b> An RR/CC District Office's DAR-TCDA Logs were missing the supervisor's name and initials/signature. Supervisors are required to initial/sign the DAR-TCDA Logs to indicate that they verified the identification of individuals presenting the recording document for all title company-prepared documents presented at the public counters for recording. This weakness reduces accountability and increases the risk that document examiners and/or supervisors will perform inappropriate same-day recordings.</p>	<p><b>Recommendation Status: No Longer Applicable</b></p> <p>We confirmed that the recommendation is no longer applicable due to updates in RR/CC's upfront scanning counter process. RR/CC replaced the DAR-TCDA Log, which required staff to handwrite identification information and supervisors to validate identification with an electronic identification swipe feature that scans, captures, and maintains specific party identification information for all ownership transfer documents. Since the electronic identification swipe feature accurately records identification information, it eliminates the need for independent supervisor review. In addition, management periodically samples ownership transfer documents and electronically logged identifications to ensure specific parties were present.</p>

**Priority Ranking:** Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Department's operations if corrective action is not taken.

	<b>RECOMMENDATION</b>	<b>A-C COMMENTS</b>
3	<p><b>Priority 2</b> – RR/CC management determine if changes to procedures for recording real property documents are possible to accommodate industry demand for the same-day recording of title company-prepared documents over the counter. These changes should address whether the specific parties identified on the documents need to be present, while maintaining appropriate controls and timely access and service for the general public.</p> <p><b>Original Issue/Impact:</b> RR/CC’s business process and policy prohibiting same-day recording of title company-prepared documents over the counter, without the specific parties identified on the document being present, may incentivize providers (e.g., courier services, agents, title representatives) to circumvent Departmental controls to gain a competitive advantage by corrupting or compromising RR/CC staff. Circumventing Departmental controls over same-day recordings increases the risk that title documents will not be recorded in the order the documents are received, which may result in title delays, legal disputes, and/or illegitimate/improper title rights.</p>	<p><b>Recommendation Status: Implemented</b></p> <p>We confirmed RR/CC management considered changing procedures to accommodate same-day recording for title companies and determined to maintain the current procedures as it allows title companies to obtain same-day recordings by utilizing the Electronic Recording Delivery System or delivering hard copy title documents directly to RR/CC before 9:00 a.m. Additionally, the Department now requires that specific parties always be present with proper identification to obtain same-day over the counter recordings for all ownership transfer documents. Previously, this requirement only applied to title company-prepared documents. RR/CC management indicated their current process conforms to industry standards and is consistent with practices in other California counties, which ensures titles are processed in the order received.</p>

We conducted our review in conformance with the International Standards for the Professional Practice of Internal Auditing. For more information on our auditing process, including recommendation priority rankings, the follow-up process, and management’s responsibility for internal controls, visit [auditor.lacounty.gov/audit-process-information](http://auditor.lacounty.gov/audit-process-information).

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