



MICHAEL G. KESSLER  
President & CEO

**KESSLER**  
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March 25, 2009

VIA EMAIL & FEDEX (Tom.Philipp@sdcounty.ca.gov)

Mr. Thomas G. Philipps  
Senior Auditor  
County of San Diego  
Office of Audits & Advisory Services  
5555 Overland Avenue, Bldg. 2, Room 2282, MS: O-305  
San Diego, CA 92123

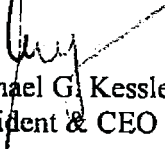
**Re: Forensic Audit of the Treasurer-Tax Collector Property Tax  
Trust Refund Database**

Dear Mr. Philipps:

As per your request please find enclosed the five bound copies plus one unbound copy and a CD of the final report pertaining to the Forensic Audit of the Treasurer-Tax Collector Property Tax Trust Refund Database.

If you have any questions regarding any of the information provided herein, please do not hesitate to contact me. We thank you for the opportunity to have been of service to you and look forward to working with you on additional assignments as the need arises.

Sincerely,

  
Michael G. Kessler CFE Cr.FA CICA  
President & CEO

MGK/bh  
Enclosures

World Headquarters  
45 Rockefeller Plaza • Suite 2000 • New York, NY 10111-2000  
Phone: (212) 286-9100 • Toll Free: (800) 932-2221 • Fax: (212) 730-2433  
mkessler@investigation.com • www.investigation.com

Offices Worldwide

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## EXECUTIVE SUMMARY

Highlights of the Kessler Report  
on the Audit of The County of  
San Diego Treasurer Tax Collector (TTC)

### SCOPE

Kessler International ("Kessler") was retained by the County of San Diego Auditor and Controller to perform a forensic audit of the procedures in place for the Treasurer-Tax Collector's Property Tax Trust and Refund ("TrustRef") database. The scope of the audit was to perform an assessment of the system's exposure to (or evidence of) fraud, make recommendations for corrective actions to prevent fraud with respect to weakness in internal controls; assess whether the condition of the current, archived, and back up data is sufficient to perform and complete a cumulative reconciliation to general ledger; complete the reconciliation to provide a starting point for accurate reconciliations going forward, based on the work performed above; and/or recommend a procedure and criteria for establishing a baseline by which the cumulative reconciliation process can be restarted, if a cumulative reconciliation cannot be performed.

### CONCLUSION

Kessler uncovered many discrepancies, irregularities and user errors during the audit including the deletion of data which is an indicator that fraud may have occurred.

Current and former TTC employees related concerns that the failure to follow policies and procedures and the lack of management oversight could be attributed to the problems affecting the TrustRef database.

Insufficient user security permissions and the absence of logs enables users to change or delete data without approval and accountability. Previous audits also made recommendations that logs be implemented yet they were not until June or July 2008. Based on the above, Kessler concludes that data integrity was compromised and the potential for fraud exists.

Additionally, the TTC should make a stronger effort to refund or escheat the funds remaining in the various TrustRef databases according to policies and procedures currently implemented.

March 2009

## The County of San Diego Audit of the Treasurer Tax Collector (TTC) TrustRef Database

### FINDING 1

- Kessler made numerous requests for the TrustRef database in Access ("ATR") format prior to the conversion to SQL ("STR") format, but was told by TTC staff and Northrop Grumman that the Access version of the TrustRef database no longer exists. After continued persistence, Kessler found that a version of the ATR did exist.
- Kessler's audit disclosed that a vast array of problems plagued the STR, including system crashes, numerous user errors, missing records, incorrect data entry, instances in which records were found under incorrect names, a lack of proper or updated documentation, a lack of proper security permissions and parameters, and a lack of audit logs.
- Users deleted records or deleted data within a record and replaced the data with the word "dummy".

### FINDING 2

- An employee forged a warrant to their own name, but safeguards implemented by the TTC and the County of Sand Diego prevented the theft.

### FINDING 3

- The practice of keeping logs pertaining to changes to the STR was not implemented until 2008. Little or no security permissions were assigned to users. Although policy indicates no record should be deleted users were still able to delete entries.

### FINDING 4

- The TrustRef database suffered from instances of major data loss, data corruption, record discrepancies and questionable data changes. The majority of the records in the TrustRef database have no audit trail and many transactions have been discovered either post-dated or without a posting date. Many of the changes remain unexplained by staff at the TTC. There was little or no security permissions assigned to users of the STR and TTC IT management was negligent in revoking user access to the TrustRef database in a timely fashion for users who were terminated or transferred to another Division.

### FINDING 5

- Changes were made to an automatically completed field, "depositdate" in the STR. The only way these changes could have been made would have been by a programmer improperly accessing the back-end of the database.



## EXECUTIVE SUMMARY

Highlights of the Kessler Report  
on the Audit of The County of  
San Diego Treasurer Tax Collector (TTC)

March 2009

# The County of San Diego Audit of the Treasurer Tax Collector (TTC) TrustRef Database

### FINDING 6

- Kessler calculated that balances due exist in the Trust Ref of \$7,992,667.31. These funds should be refunded to taxpayers or escheated.
- Kessler was unable to reconcile the TrustRef with the 2007-2008 Countywide Escheatment List of the TTC listing on the Internet.
- The Policies and Procedures guides of the TTC were not followed by staff.
- Maintenance requests were made regarding the TrustRef database but were not documented properly.

### RECONCILIATION OF TRUSTREF AND ORACLE

- Several issues could ultimately affect the balances calculated for the TrustRef including TTC user input errors. Kessler found that many of the transfers between funds were made because users entered an incorrect fund number. Based upon Kessler's calculation \$2,975,720.15 must be transferred to the Oracle database to adequately cover the open balances noted in the TrustRef database.

### RECOMMENDATIONS

- Only specific and trusted employees should be provided with access to maintain and updating database information. Session logs should be kept and maintained to record user login activity. Keeping a record of user activity and logins in database sessions will provide a useful resource as to the user's access to the database.
- Based upon interviews and the findings of the audit, it is readily apparent that employees need to be issued an updated Policies and Procedures Guides, and could benefit from re-training.
- Any changes that need to be made to the database should reflect all previous data, and should include notes as to when and why the change was made. There should be no deletions occurring in the database; rather, it should be noted that there was an error upon input of data.
- Once a year the TrustRef should be cleaned and removed of all possible overpayments that can be escheated. Additionally, the responsibility of the Accounting Division Manager to prepare a list of possible escheatments every year by August 1 as per the Escheatment Policies and Procedures should be enforced.
- Kessler recommends that the use of additional databases be included in the search parameters to locate the rightful recipients of refunds. There are a wide variety of public information databases available as resources for a nominal fee. By expanding the database resources to locate the rightful owner of tax overpayments when conducting searches.

Forensic Audit of the  
Treasurer-Tax Collector  
Property Tax Trust Refund  
Database

*Prepared For:*

**MR. THOMAS G. PHILIPP  
SENIOR AUDITOR**

County of San Diego Office of Audits  
& Advisory Services

5555 Overland Avenue, Bldg. 2, Room 2282

MS: O-305

San Diego, CA 92123

■ ■ ■ ■ ■ ■  
*Prepared By:*

**KESSLER INTERNATIONAL**

45 Rockefeller Plaza, Suite 2000

New York, NY 10111-2000

Phone: (212) 286-9100

Fax: (212) 730-2433

**March 24, 2009**

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## **SCOPE OF AUDIT**

Kessler International ("Kessler") was retained by the County of San Diego Auditor and Controller to perform a forensic audit of the procedures in place for the Treasurer-Tax Collector's Property Tax Trust and Refund ("TrustRef") database. The scope of the audit was to include the following tasks:

1. Perform an assessment of the system's exposure to (or evidence of) fraud through forensic testing and analysis and testing of internal controls; make recommendations for corrective actions to prevent fraud with respect to weakness in internal controls;
2. Assess whether the condition of the current, archived, and back up data is sufficient to perform and complete a cumulative reconciliation to general ledger;
3. Complete the reconciliation to provide a starting point for accurate reconciliations going forward, based on the work performed above; and/or
4. Recommend a procedure and criteria for establishing a baseline by which the cumulative reconciliation process can be restarted, if a cumulative reconciliation cannot be performed.

The following report contains Kessler's findings and recommendations.

## **INTRODUCTION**

In order to accomplish the goals of the County, Kessler reviewed and analyzed digital files, paper files and documents, examined e-mails and conducted interviews with individuals formerly and presently employed by the County of San Diego TTC and related vendors who possessed knowledge of the TrustRef system.

Kessler performed an examination of the internal controls in place applicable to the TrustRef database to determine any weaknesses and make recommendations for improvement.

Kessler performed a series of analytical studies and reconciliations between the TrustRef database before and after conversion to Microsoft SQL in an attempt to discover any issues, including data corruption, data integrity and fraud and subsequently make recommendations based on our findings.

Types of analysis and studies conducted included:

- Review of questionable records & entries not converted from Microsoft Access to Microsoft SQL
- Analysis of entries with notations of "Restored 7/12 Many Lost" & "From 6/21/04 DB"
- Analysis of the Countywide Escheatment List (September 15, 2008)
- Analysis of the December 2006 Escheatment
- Analyzed duplicate and corrupt data imports
- Performed the identification of all fields that have been changed between the Access TrustRef database and SQL TrustRef database
- Performed missing fields analysis
- Conducted multiple entries analysis
- Analyzed negative original balances
- Performed a reconciliation from the SQL TrustRef database to Oracle
- Determined instances of refunds greater than "ORIGAMT" paid

- Prepared listing of entries in historical databases with remaining balances

Kessler uncovered many irregularities, discrepancies, user errors and questionable user interactions with the database during the audit. Also discovered was the deletion of taxpayer names and addresses from the database causing concerns that improper training of staff exists.

## INFORMATION RECEIVED

During the course of the audit Kessler was supplied with various documents and digital files and had access to records including:

<b>Version of database Received</b>	<b>Date database was Received by Kessler</b>	<b>Format of database Received</b>	<b>Date of Last Entry on database</b>
SQL	August 1, 2008	Access	June 2, 2008
Access	September 16, 2008	Access	April 22, 2005
SQL <sup>1</sup>	September 16, 2008	Access	April 22, 2005
SQL	September 16, 2008	SQL	August 5, 2008
Access	October 20, 2008	Access	April 22, 2005
SQL	October 20, 2008	SQL	August 5, 2008

- All transfers from TrustRef to fund 61000 (FY 2005 – 2009; less than \$10.00)
- Asset Allocation Build Procedures
- Asset Allocation database Desktop Install Procedures
- Balance for Fund 61000 (April 2005, June 2008)
- California Tax Codes 29370 – 29390.1
- California Revenue and Taxation Code Section 75.40-75.43
- Copies of Sample TX's Applicable to TrustRef Transactions
- COSD Paid Invoice Distributions Reports (April 2005, June 2008)
- COSD MTN DT Transfer Summary Report (April 2005, June 2008)
- Countywide Escheatment List (September 15, 2008)
- Current Secured Automated Procedural Flow Chart
- Defect Tracking Logs Application Run Book For PA2286 Treasurer Tax Collector Financial Apps (January 4, 2007)
- General Ledger Account Activity Reports (July 2004 – October 2008 [All 12 TrustRef Funds])
- Interest Rate for Refund Calculations 2007/2008

<sup>1</sup> This database was labeled as the SQL TrustRef database on the CD. It was a duplicate of the Access TrustRef database.

- Policies and Procedures (Financial Division)
- Property Tax Collection and Refund Process
- Property Tax Revenue Process Fiscal Year 2006/07
- TrustRef Server Build Procedures
- “Questions and Brain Dump for TrustRef BRD”
- TC04 Build Procedure
- TC04 Process
- TC04 Server and Desktop Install Procedures
- TR Reports for Auditor (September 2004, September 2005, May 2008)
- TrustRef Procedures (Financial Division)
- TrustRef User Security Table
- TrustRef User Security Permissions (September 1, 2008)
- Various e-mails and worksheets pertaining to the duplicate data import during the week of July 14, 2008
- Various e-mails pertaining to TrustRef
- Various TrustRef Screen Shots
- WO2157 – Electronic Bill Payment for Treasurer-Tax Collector (February 15, 2005)
- Work Order 2157 Cutover Plan (April 18, 2005)

**Previous Audits and Investigations:**

- County of San Diego Treasurer-Tax Collector Property Tax Refund for Overpayment and Escheatment Protocols Validation (Macias Consulting Group, Inc.)
- Operational & Transition Audits of Treasurer-Tax Collector (February 18, 2003)
- Property Tax Collection and Refund Process Audit conducted by Office of Audits & Advisory Services (January 2008)
- Report of attempted theft of a warrant relating to property taxes by a County employee (December 28, 2006)

- San Diego County Grand Jury Report applicable to TrustRef (November 16, 2005)
- Treasurer-Tax Collector Response to Grand Jury Findings (January 12, 2005)

**Other documents received from the County:**

- Certification of US Invoice Requests
- Certification of TX Invoice Requests
- Correspondence with previous and current employees of the Treasurer-Tax Collector
- Correspondence with Northrop Grumman
- County employee e-mails
- Northrop Grumman Acceptance Test Plan
- Northrop Grumman Application Run Book for PA2286 Treasurer Tax Collector Financial Apps
- Northrop Grumman Detailed Business Requirements (April 1, 2008)
- Notes to Combined Summary Comparative Statement of Revenues and Expenditures (December 31, 2002)
- San Diego Treasury and Tax Collector "TrustRef" Application Progress & Prognosis
- Second Certification of TC Invoice Request
- Treasurer-Tax Collector Application Inventory Matrix

**Documents received from a former employee of the Treasurer-Tax Collector:**

- Escheatment List 0205 (Excel File)
- Escheatment Total (1996 – 2002)
- Grand Jury PowerPoint Presentations
- Tax Refund Claim Form
- Treasurer-Tax Collector Tax Escheatment Timeline and Procedures

**Items that were requested by Kessler but not produced:**

- Last back-up of Access (“ATR”) database before conversion
- First back-up of SQL (“STR”) database after conversion
- Service requests for applicable to STR and ATR database
- Quarterly status reports on Property Tax Collection and Refund Process as called for in a previous audit.

## **BACKGROUND**

The San Diego Treasurer-Tax Collector's Office utilizes the TrustRef application to manage refunds related to the overpayment of property taxes by taxpayers.

### **What is TrustRef?**

According to the Tax Refunds for Overpayment Policies and Procedures Guide dated November 7, 2005, TrustRef is the accounting application through which tax overpayment refunds are initiated and monitored. Some of the data that resides in TrustRef is imported and other information is data entered by both Financial Division staff and Accounting staff.

The Tax Refunds for Overpayment Policies and Procedures Guide states, "On a daily basis, the Accounting Manager shall identify property tax overpayments from individuals and businesses in order to issue refunds. To accomplish this goal, staff will conduct a daily review of overpayments. After the legal recipients of refunds have been identified pursuant to Revenue and Taxation Code guidelines, the Treasurer-Tax Collector will issue refund checks."

Tax refunds that remain unclaimed for a period of four or more years are available to be escheated to the San Diego County General Fund.

### **What is escheatment?**

Generally, escheatment is a legal transfer to a government entity of property that has not been claimed by the legal owners. In reference to this report, escheatment is the legal transfer to the County of property tax refunds that have remained unclaimed for four years or more and for which the whereabouts of the legal owners of the money is unknown.

The Statement of Policy within the Escheatment of Unclaimed Property Tax Refunds Policies and Procedures Guide dated November 7, 2005, states, "On August 1 of each year, the Treasurer-Tax Collector will identify a list of monies that have remained unclaimed for more than four years for escheatment and will conduct research following the Research Guideline as a last attempt to locate the legal owners of these monies." The Policies and Procedures Guide further elaborates on this, stating that it is the responsibility of the Accounting Manager to identify the list of monies and provide the list to the Financial Division, who then conducts the research.

The Tax Refunds for Overpayment Policies and Procedures Guide and the Escheatment of Unclaimed Property Tax Refunds Policies and Procedures Guide follow this report as **Exhibit 1** and **Exhibit 2** respectively.

#### **Prior Audits**

Prior to this audit, the County of San Diego TTC requested audits of the property tax collection and refund processes. Many of the findings in these audits correlate directly with those of Kessler. The audits are as follows:

The Property Tax Collection and Refund Process Audit conducted by the Office of Audits & Advisory Services (January 2008) follows this report as **Appendix A**.

The San Diego County Grand Jury Report (November 16, 2005), the Treasurer-Tax Collector Response to Grand Jury Findings (January 12, 2005) and the Grand Jury PowerPoint Presentation follow this report as **Appendix B**.

The County of San Diego Treasurer-Tax Collector Property Tax Refund for Overpayment and Escheatment Protocols Validation (Macias Consulting Group, Inc.) (October 17, 2005) follows this report as **Appendix C**.

## OBSTACLES AND DELAYS

Kessler was assigned this project on May 1, 2008. At the onset of this audit, Kessler received only limited documentation pertaining to TrustRef. In July 2008, a visit to the County of San Diego was made to begin interviews and collect additional documents not previously supplied.

### **Database Requests**

Kessler made numerous requests for the TrustRef database in Access ("ATR") format prior to the conversion to Microsoft SQL ("STR") format, but was told by staff at the TTC Accounting Division and Northrop Grumman that the Microsoft Access version of the TrustRef database no longer exists. After continued investigation and during an interview of a Northrop Grumman employee, Kessler learned that the Access version of the TrustRef database did in fact exist.

During the audit Kessler received several versions of the TrustRef database as seen below:

<b>Version of database received</b>	<b>Date database was Received by Kessler</b>	<b>Format of database Received</b>	<b>Date of Last Entry on database</b>
SQL	August 1, 2008	Access	June 2, 2008
Access	September 16, 2008	Access	April 22, 2005
SQL <sup>2</sup>	September 16, 2008	Access	April 22, 2005
SQL	September 16, 2008	SQL	August 5, 2008
Access	October 20, 2008	Access	April 22, 2005
SQL	October 20, 2008	SQL	August 5, 2008

Kessler received a version of the STR on August 1, 2008, with the last record of entry entered as June 2, 2008. Kessler received CDs with three additional versions of the TrustRef database on September 16, 2008. Two of the versions of the TrustRef database on these CDs were duplicates, but mislabeled. A

<sup>2</sup> This database was labeled as the SQL TrustRef database on the CD. It was a duplicate of the Access TrustRef database.

third version of the database received on September 16, 2008 was the STR with the last record of entry dated August 5, 2008.

On October 20, 2008, Kessler received two more versions of the TrustRef database: one with the last record of entry dated April 22, 2005 (this was found to be another duplicate database in Access format) and the SQL formatted database with the last record of entry entered as June 2, 2008.

### **Interview Attempts**

Kessler attempted to interview two former employees of the County of San Diego TTC who were in key management positions and whose statements would have been deemed valuable to this audit. Kessler made several attempts to contact one individual via mail, e-mail, FedEx and telephone but the individual never responded. The second individual ignored Kessler's requests and/or refused to speak with Kessler before accompanying another individual interviewee to his interview at an offsite location.

### **Timeline**

Kessler was unable to begin any audit work regarding the TrustRef databases until September 2008, when Kessler received copies of both the ATR and the STR.

The timeline to conclude the audit was originally established to be during November 2008. Kessler, however, did not receive all of the information necessary to complete reconciliation to Oracle until January 2009.

### **Northrop Grumman**

Kessler was originally informed by the County and by Northrop Grumman that the Access version of TrustRef database was not available because no information was transferred from Computer Science Corporation ("CSC - Pennant Alliance") to Northrop Grumman when they took over the County IT

contract during 2007. During the audit, Kessler spoke with a Northrop Grumman employee who challenged the facts previously provided by the County of San Diego and Northrop Grumman and said that he knew exactly where the ATR was and that he would provide it. According to others at Northrop Grumman, he was responsible for bringing the ATR from CSC to Northrop Grumman.

During the audit, Kessler encountered resistance when requesting documents from Northrop Grumman. During the interview process of the audit, Kessler was advised by the Northrop Grumman employee that he was told not to cooperate with the audit and was given instruction not to provide any documents to Kessler. Shortly after our conversation with this individual, he was terminated by Northrop Grumman.

Kessler was only able to obtain the requested Access database from Northrop Grumman after continued persistence and assistance from the staff of the TTC and other employees at the County of San Diego.

#### **E-Mail Retention Policy**

Kessler encountered problems when requesting e-mail correspondence from the time period of the conversion of the TrustRef database. Kessler was told by an employee of the TTC IT Department that the data retention policy for e-mails countywide is to keep them archived for only 60 days. Kessler was able to obtain a limited amount of e-mails regarding the conversion of databases since certain TTC staff kept copies of e-mails within their own work directory folder. Documentation in these e-mails was scarce and provided little insight into the logistics of the conversion.

## INTERVIEWS

Kessler conducted interviews with a variety of current and former employees of the County and Northrop Grumman in order to obtain a better understanding of the circumstances surrounding the conversion of the TrustRef database and the history of the databases.

It became apparent during these interviews that employees were inconsistent in their understanding of the proper usage and administration guidelines applicable to the TrustRef. The lack of documentation and protocol available regarding the TrustRef system was addressed by many of the interviewed employees as was the lack of security parameters in place to properly secure the data.

According to a former programmer of the ATR database, a former employee was found to be fraudulently releasing warrants to herself, prompting security parameters to be built into the database.

This programmer indicated that following the conversion to SQL, the security parameters were removed and no logs of activity in the system were maintained.

Another employee Kessler interviewed who was responsible for handling clerical duties indicated that TTC IT Management believed that the ATR was an inadequate data platform due to problems incurred by end users, the accumulation of data, network connectivity and the fact that the department had a high employee turnover rate.

An employee disclosed that she observed an IT Manager and a Northrop Grumman employee working together to remove a penalty associated with a tax bill for a taxpayer that did not want to come into the office but rather pay the bill on-line. The employee asserted that an IT Manager had this Northrop

Grumman employee remove a penalty from the tax roll so that a taxpayer could pay their current tax bill online, since bills with penalties must be paid in full at the office.

A CSC-Pennant Alliance employee who was later employed by Northrop Grumman disclosed that the IT Manager would request emergency maintenance but would not want it documented. He claimed this was a cost containment practice of the IT Manager. He also referenced constraints placed by the IT Manager on the conversion process, and cited user dissatisfaction with the new interface on the SQL database. The individual also indicated that the ATR had problems with corrupted files and that the database was not reconciled after a hard drive crash. The individual also claimed that he was instructed to remove "crap data" from the database to facilitate moving forward with deployment following the conversion without regard to what was deleted or what the taxpayers were owed in tax refunds. Additionally, this individual stated that changes could easily be made to the "back-end" of the database with no record of the changes being noted or documented claiming it was a ripe area for fraud.

Another County employee indicated that the database lacked documentation for users and was concerned about the lack of security parameters built into the database. This employee also indicated that the conversion was rushed by the IT Manager and that proper security parameters were lacking.

## **FINDING 1 - DATA INTEGRITY AND SECURITY**

### **ACROSS THE OPERATION NEEDS**

#### **IMPROVEMENT**

After numerous requests and considerable delays, Kessler received CDs containing the ATR with a last recorded entry of April 22, 2005 and the STR with a last recorded entry of June 2, 2008. The County of San Diego was unable to provide a final ATR and a beginning STR. A reconciliation of the ATR and STR was performed comparing TrustRef RecID numbers between these two databases. The TrustRef RecID number is a unique number to each record in the database.

Kessler conducted an analysis of the 76,523 records with matching TrustRef RecID numbers in the ATR and the STR which revealed numerous discrepancies. The analysis disclosed that the STR contains 193,041 completed fields, an increase of 116,462 over the ATR. This finding reveals that users made manual changes to the records after the conversion.

Kessler conducted an analysis of changes between the ATR and the STR and found changes such as adding "et al" to the end of the person's name, or the change of names from individual homeowners to those of mortgage companies. Kessler was told by TTC staff that these changes were acceptable. However, Kessler also found changes that do not appear to have an acceptable explanation.

#### **Field Changes on Records One Week Prior to Conversion**

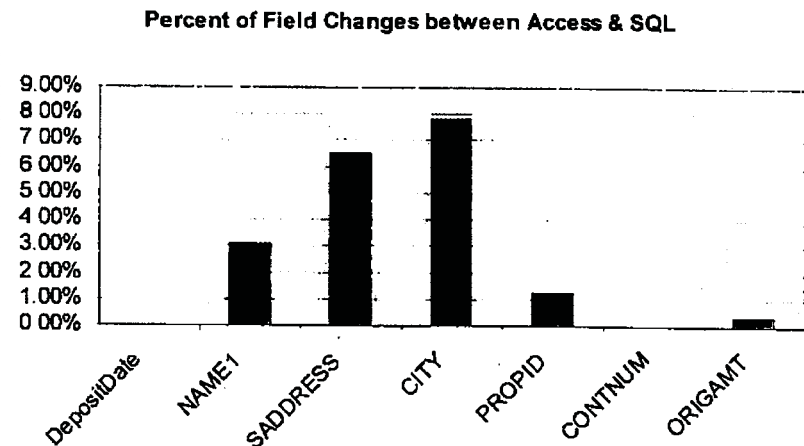
During the audit, Kessler found 441 entries in the ATR that are missing identification information, such as names and addresses (the fields are blank). These entries total \$1,716,118. According to TTC personnel these entries were not manually inputted but rather were imported to the database from the mainframe. It is unknown why after the conversion to the STR, 35% of the

entries created a week before the conversion were found to contain information in the fields that were previously blank.

In order to determine a reference to the magnitude of the problem, the number of blank fields in each column was divided by the total number of records (76,523) and an "error rate" was developed disclosing a significant variance between the two databases (**Exhibit 3**).

Kessler further analyzed the fields that have been changed on correlating records between the ATR and the STR. The percentages of changes are noted in Figure 1.

**Fig. 1**



Because no clear explanation was available from TTC staff, Kessler suspects that the discrepancies might be attributed to a number of factors. This includes data loss during conversion, unexplained differences in balances in archived and current records, missing data, data entered incorrectly or data altered by system users. These concerns are outlined below:

### “ORIGAMT” Changes

An analysis of the two databases revealed that in the ATR, a total of 197 records had \$0 amounts entered in the “ORIGAMT” field, whereas in the STR, the same records now contain positive dollar amounts in the “ORIGAMT” field. This discrepancy totals \$428.00. Although this is a rather insignificant dollar amount, what remains questionable is why the dollar amounts of 197 records were changed after the conversion. No one at the TTC could offer an explanation.

### Data Corruption

During analysis of the ATR and the STR, Kessler uncovered that the ATR contained 56 more records than the STR. Kessler also uncovered significant gaps in the RecID numbers. The 56 records total **\$10,410,313.33**. Only 23 of the 56 records indicated an “ORIGAMT” (Original Amount) deposited and many of the records are absent of critical information, such as a name or address. The “ORIGAMT” indicated for these records range from as little as \$11 to as much as over \$7 million. It is the majority of the records with large numbers in the “ORIGAMT” field that do not contain any name and address data in the fields for those records.

After extensive analysis and research, Kessler determined that the majority of the money (\$10,395,975.58) correlating to the 56 records can be accounted for as being a corrupt “mini data import” that occurred on April 13, 2005, which was rectified by TTC staff who were notated on these entries. The remaining dollar amount of \$14,337.75 could not be accounted for by any of the employees at the TTC.

A detailed spreadsheet of the 56 records that did not transfer to the STR and their pertinent information is attached herein as **Exhibit 4**.

### Created Dates and Deposit Dates

Within the STR, records with a “created date” on or after June 9, 2005, have a matching “deposit date”. However, for records created before June 9, 2005, the “deposit date” does not match the “created date”. Kessler found that records with a deposit date prior to June 9, 2005 have a created date of January 3, 2008. This appears to reveal that these particular records were not included in the TrustRef database until January 3, 2008 when they were imported as a single batch process. Kessler asked a number of TTC employees for an explanation but no one Kessler interviewed had an explanation for this discrepancy.

### Conversion Dates

Kessler’s interviews with numerous employees of the TTC disclosed that the conversion of the TrustRef database from Access to SQL occurred sometime during the months of July 2005 through October 2005. Yet upon examination of the ATR, Kessler noted that the last entry into the ATR occurred on April 22, 2005, despite the DVDs containing the databases being labeled with a date of July 25, 2006. This causes concerns as data crucial to a successful reconciliation could be missing and taxpayers who are owed refunds could have been deleted from the data supplied to Kessler.

### Refunds with Missing Dates

Many tax refunds that were issued shortly after the conversion do not have any “deposit date”. The deposit date of the database indicates when money is deposited into the Oracle database. In total, 681 entries have no deposit date (Exhibit 5) and 570 of these entries have transactions that occur within 1 month after the conversion, totaling \$2,977,867.64. As the “deposit date” field is automatically generated by the TrustRef system, there should be no reason why these records appear without a deposit date. No one at the TTC could explain this discrepancy.

### Refunding Taxpayers that Owe Taxes

A negative "ORIGAMT" field occurs when taxpayers owe money to the County. The analysis disclosed that the TrustRef database contains negative values in the "ORIGAMT" field totaling \$73,874.57. A sample examination of these entries disclosed that despite the fact that a taxpayer owes money to the County, Kessler found instances where refunds for subsequent years were made to the taxpayers none the less. For example, Balboa Genesee LLC owes the County of San Diego \$4,046.44, since 2000. In 2004 the TTC issued two refunds to Balboa Genesee LLC totaling \$751.37. The County should have applied these refunds to the amount still owed to the County of San Diego (Exhibit 6).

### Missing "ORIGAMT"

Kessler found that 211 transactions were entered into the TrustRef database by user "emucho", between the dates of September 19, 2005 and September 21, 2005, without an amount in the "ORIGAMT" field. All of these transactions were recorded into the fund labeled with the number 508000 (Recorder's Fee) and each entry includes a check number (Exhibit 7). Based upon the fund that these transactions were recorded into, Kessler believes that each of these records had an "ORIGAMT" of at least \$11.00 each, as this is the minimum charge for a Recorder's Fee. The lack of data in the "ORIGAMT" filed in these instances could not be explained by any county employee and indicates a lack of supervision and oversight by management. Additionally it is unexplainable how this missing data allowed a proper reconciliation of the database to Oracle to take place.

### "Dummy" Entries

Kessler found 385 entries totaling \$193,004.98 (Exhibit 8) had been made to the STR during 2006 with the word "Dummy" entered as the street address and city. An additional 19 entries were recorded in 2007 and 2 in 2008 with the word "Dummy" entered in the street address and city. Of these entries

97.80% were made by a single user. Kessler's audit findings disclosed that only 4 records in the ATR had been created with the word "Dummy" entered into fields from 1990 through 1994.

Based upon interviews with numerous employees of the TTC, Kessler has received numerous explanations for this finding. An employee stated that the entries could be stale-dated warrants where the original data was removed because the check was returned and the correct address was unknown. Another employee stated that they could simply be test entries, while another employee stated that the records could be older records where the checks were processed without proper documentation.

The employee who entered almost 98% of the "dummy" entries claimed that the original address information was simply incorrect and she just didn't have time to look up or research correct information so she deleted the original information and entered the word "Dummy" in the field. She indicated that it would be impossible for her to reconstruct this information.

Since this employee entered the majority of these questionable entries we believe her story is the most credible and therefore these funds are still due to taxpayers and should be promptly refunded.

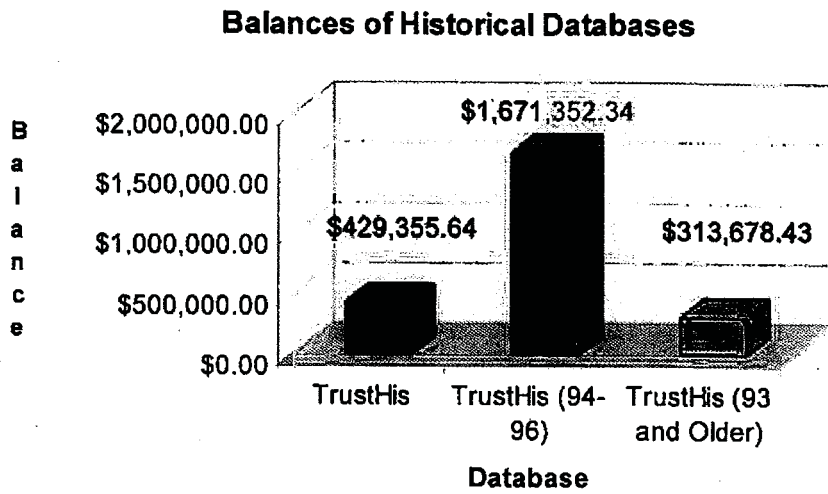
#### Historical Database

While reviewing the three historical TrustRef databases (Figure 2), Kessler uncovered that they contained balances allegedly due taxpayers that when combined totaled \$2,414,386.41. No one at the TTC could explain why refunds were never made to the taxpayers listed or why the funds were not properly escheated.

This raises serious concerns about the adherence to the Policies and Procedures in effect and the possibility that some sort of fraud took place. In

order to properly research and eliminate certain concerns, Kessler suggests that the cancelled refund checks applicable to the period included be matched with the entries.

**Fig. 2**



## **FINDING 2 - TWO CASES OF POSSIBLE THEFT**

### **Fraudulent Warrants**

Kessler's audit findings revealed records that contained notes under the field labeled "TrustRef\_Com", in which warrants are indicated as being fraudulent because they were fraudulently cashed. There are no additional details given and no one could provide any documentation applicable to these warrants.

**Exhibit 9** shows the entries containing these notes.

### **Theft Report**

During the process of the audit, TTC employees made repeated references to the former Assistant Manager of the Financial Division of the TTC who was caught attempting to fraudulently cash a warrant. A report dated December 28, 2006 provided to Kessler by the TTC discloses that the individual forged a warrant to her own name, but that safeguards implemented by the TTC and the County prevented the theft.

Although the theft was prevented it took the TTC over 7 months to void out the fraudulent warrant.

**FINDING 3 – LOGS OF USE, CHANGES,  
ADDITIONS, DELETIONS, NOT MAINTAINED  
RESULTING IN LACK OF AUDIT TRAILS**

The practice of keeping logs pertaining to any changes or additions to data in the STR was not implemented until June or July 2008. The majority of the records in the TrustRef database have no audit trail and many transactions have been discovered either post-dated or without a posting date, raising concerns about data integrity.

According to individuals interviewed by Kessler and documentation received and examined it was determined that there was little or no security permissions assigned to users of the STR. Additionally Kessler found that TTC IT Management was negligent in revoking access to the TrustRef database in a timely fashion for users who were terminated or transferred to another Division. The lack of efficient user security enables a user to change or delete data without approval and no accountability.

In support of Kessler's observations, Kessler located a document issued by Northrop Grumman entitled Detailed Business Requirements, dated April 1, 2008, which states, "Currently, the security model employed by the TrustRef application falls short" (Exhibit 10).

Additionally, Kessler found that the TTC IT Department failed to implement and maintain the necessary changes to prevent unauthorized access to the TrustRef database.

During the audit, Kessler located an e-mail that requests that a total of 14 users have their status changed from "active" to "inactive", indicating a failure to adhere to policies and procedures established to the termination of staff (Exhibit 11).

### Notations to Delete Records

On August 19, 2004, a user entered seven payments into the TrustRef database. All seven of these records included a comment in the "TrustRef\_Com" field that states "PLS DELETE THIS RECORD". The records are absent of name and address information, and "ORIGAMT" data.

According to the information gathered during interviews conducted by Kessler, the TTC stopped the practice of deletion of records in late 2007. The current policy is to "zero" out any entry that needs to be deleted, but according to individuals Kessler interviewed, the ability to delete records still exists.

## **FINDING 4 - IMPROPER ACCESS TO DATABASE**

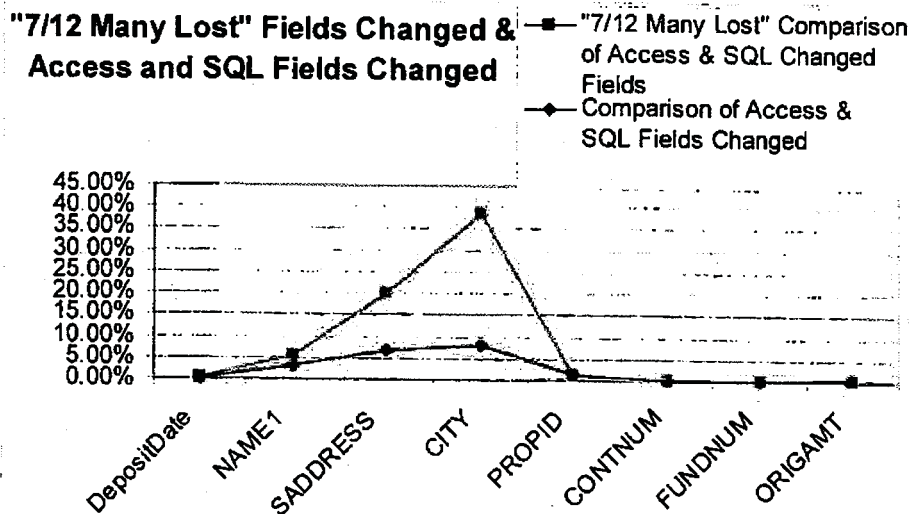
### **Major Data Loss**

A total of 8,630 records in the STR are marked as "Restored 7/12 many lost", without any additional information in the "Restore Source" field of the entry. The note could not be explained by anyone interviewed and it is uncertain whether the records were restored manually or from a previous backup of the database. Additionally, 35,925 records in the STR are marked "From 6/21/04 DB". These records can be associated with the hard-drive crash in 2004, referencing statements made by an employee that all records were restored from a backup approximately two weeks prior to the crash. However, other interviewees stated that the records might not have been completely restored.

In comparison, an analysis of the ATR also reveals that a total of 8,640 records contain the same note "Restored 7/12 many lost" (a variance of 10 records that did not transfer to the STR). Although insignificant in dollars (\$7,418.50) the discrepancy of 10 records and their corresponding dollar amounts have simply disappeared. This discrepancy was also unexplained by the TTC staff Kessler interviewed. As there has been no reasonable explanation forthcoming, Kessler is left with numerous questions regarding the integrity of the restored data, procedures regarding the prevention of data loss, database backup implementation and TTC's IT Management supervision. The details regarding the 10 records follow this report (**Exhibit 12**).

Kessler also conducted a statistical analysis of the field changes that occurred between the Access and SQL versions of the database regarding the records which included the notation "Restored 7/12 many lost" (Figure 3).

Fig. 3



It is clear that the Name1, SAddress and City fields all have a higher percentage change rate as compared to changes made to all the records in the databases as a whole. It is evident that these records had exponentially more deviations than all the records in the database as a whole. Kessler received no feasible explanation from TTC staff regarding the changes, thus the potential for fraud exists.

#### Findings Regarding TrustRef History and Controls

A document provided to Kessler, entitled Property Tax Collection and Refund Process A08-002, dated September 3, 2007, contains statements referencing data validation during the transition of the TrustRef database from Access to SQL (**Exhibit 13**). The document states that:

“Larry was not aware of any crashes of the current system related to data loss. He indicated that there was a problem with the integration of Crystal Reports, but that did not affect records, only report output.”

The document further states:

“Larry indicated that there were records in the Access database that were not included in the web based system due to corrupted and missing data. TTC directed the transition to proceed without the records”, and that it was unknown, “if recovery of any previous instance of the Access database was feasible”.

Furthermore, the document references a security breach of the TrustRef security policies, stating, “That [a user] was listed as INACTIVE despite having full administrator access to the system”. These revelations cause great concerns regarding the controls TTC implemented on the data, and if anyone from the TTC attempted to curtail some of these weaknesses.

## **FINDING 5 - LEGITIMACY TO BACK-END**

### **CHANGES QUESTIONABLE**

An analysis of the records on the ATR and the STR revealed that changes were made to the "depositdate" field on 681 records on the STR. This field is automatically generated by the system into the TrustRef database. During interviews, Kessler was advised that the only feasible way to make changes to this field would be to go into the back-end of the TrustRef database and manually change or delete it, implicating that a programmer had to change the dates. These changes are highly questionable and employees at the TTC were unable to provide an explanation as to why the changes might have been made.

## **FINDING 6 - REQUIRED ESCHEATMENT NOT PERFORMED IN ACCORDANCE WITH COUNTY POLICY**

Kessler obtained a listing labeled Countywide Escheatment List FY 2007-2008, dated September 15, 2008 (**Exhibit 14**), which delineates funds slated to be escheated, from the San Diego County Treasurer-Tax Collector website at [http://www.co.san-diego.ca.us/ttc/ni\\_new.html](http://www.co.san-diego.ca.us/ttc/ni_new.html). Kessler tested a 15% sample and was unable to correlate the majority of the names and amounts on the Countywide Escheatment List to any records in the TrustRef database (current or historical data) supplied to Kessler. Although some of the names on the records in the TrustRef matched (**Exhibit 15**) the amounts on the escheatment list don't match the correlating dollar amounts in the TrustRef. Kessler noted that the website has been changed since Kessler's audit examined this matter.

### **Failure to Follow Policies and Procedures**

#### **Tax Refunds**

The Tax Refunds for Overpayment Policies and Procedures Guide issued by the TTC, effective November 7, 2005, indicates that "Refunds for overpayment from the current tax year must be issued to the rightful recipient within 60 days." (See **Exhibit 1, Pg. 2**). Kessler's audit found that this policy is not followed by the TTC. Interviewees stated that they are too busy and understaffed to follow these policies. Kessler sampled approximately 200 records still open in the database and found that some refunds were issued to individuals long after the 60-day period and others still must be issued (**Exhibit 16**). No explanation other than TTC staff is overworked, could be provided.

#### **Escheatment**

The Escheatment of Unclaimed Property Tax Refunds Policies and Procedures Guide's Statement of Policy says, "On August 1 of each year, the

Treasurer-Tax Collector will identify a list of monies that have remained unclaimed for more than four years for escheatment and will conduct research following the Research Guideline as a last attempt to locate the legal owners of these monies. The Treasurer-Tax Collector will complete this research and present a list of monies to escheat to the County Board of Supervisors by February 1 of each year.” (See Exhibit 2, Pg. 2).

During interviews, it was disclosed that these policies and procedures were not followed simply because employees claim they were “too busy” or unaware of their responsibilities. The amount calculated during this audit owed to taxpayers is \$7,992,667.31.

#### **Warrant Data Imports**

The TC04 Process document provided to Kessler by the TTC states that warrant data must be imported to the TrustRef database every Tuesday (Exhibit 17). A related Refund Procedural Flow Chart further expands the procedures that must be followed by the TTC for processing refund data and issuing refunds (Exhibit 18). Kessler’s audit found that the TCO4 Process and the Refund Procedural Flow Chart is either not being diligently followed or is outdated.

#### **Findings Regarding the TrustRef User Manual**

The TrustRef Policies and Procedures for Tax Refunds for Overpayment has been found to be outdated and inconsistent in some areas with the processes and internal controls utilized today in the County of San Diego. Some of the interviewees expressed concern over the lack of documentation provided to them regarding the operation of the TrustRef system. It was also evident during the audit that inadequate user training contributed to the confusion regarding the specific responsibilities of employees and their roles regarding entering data into the TrustRef database.

**Findings Regarding Maintenance Requests to IT Staff**

A lack of documentation applicable to changes made to the TrustRef database likely caused concerns to staff regarding the data loss during the time CSC-Pennant Alliance was under contract for the IT outsourcing. Based upon interviews with employees, Kessler was consistently told the programmer was at times unresponsive to end-user concerns and that TTC IT Managers allegedly did not want to perform routine maintenance to maintain the database due to cost issues.

## **RECONCILIATION OF TRUSTREF AND ORACLE**

Kessler has analyzed the documents pertaining to the Oracle database that have been provided to reconcile the twelve funds that make up TrustRef database.

The audit steps Kessler utilized to determine the balance of the funds within TrustRef began with identifying and separating the various funds that make up TrustRef. It was determined that a total of eighteen records were not affiliated with any fund.

Once the 193,041 records were organized by fund number, the sum of all transaction amounts and "ORIGAMT" numbers were computed to determine what is identified as either a credit or debit in the Oracle database. Over 240,000 credits and over 190,000 debits were examined and totaled to arrive at the estimated balance for each fund.

Kessler made adjustments to each individual fund applicable to a statistically significant sample of intra-TrustRef fund transfers, taken from the Request for Transfers of Funds document. Kessler identified thirty-four transfers that occurred within the sample.

The thirty-four transfers were run against the TrustRef database to determine if they were correctly documented within TrustRef. Eight of these transactions were not correctly documented within TrustRef and Kessler made adjustments to the balances of TrustRef based upon these eight transfers.

The percent of each transaction that was not correctly documented within TrustRef was applied to the fund balance (as per the general ledger reports) to arrive at an estimated error rate percentage for each fund that was affected by the transfers. The error rate percentages were applied to the fund balances from TrustRef to arrive at an estimated balance per fund. The largest

adjustment that occurred to any particular fund from the result of the sample occurred to fund number 507000 in the amount of \$2,956.00.

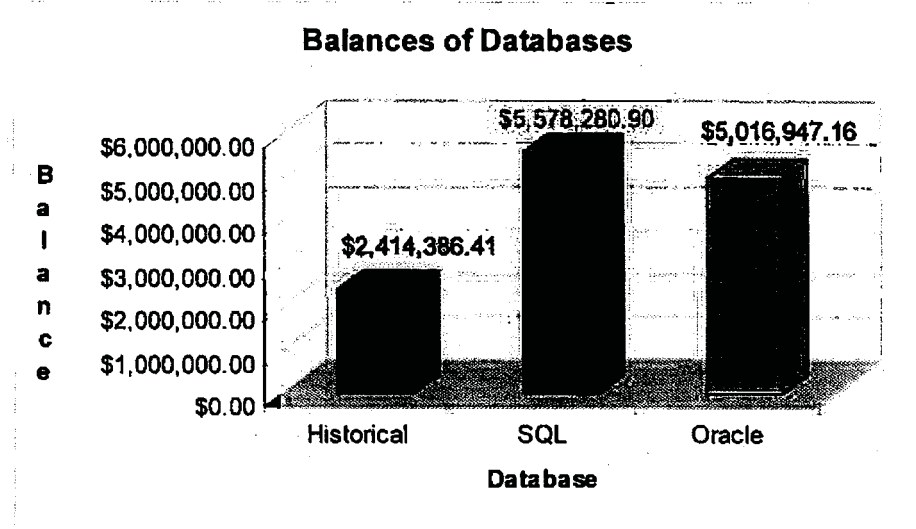
Several issues could ultimately affect the balances calculated for the TrustRef including TTC user input errors. Kessler found that many of the transfers between funds were made because users entered an incorrect fund number. Additional user errors include entering an incorrect reference to a transfer. As an example, C20-8446 had a transfer from fund 509900 to fund 507004 in the amount of \$2,372.14. On the correlating Request for Transfer of Funds document, the request number is DT04-609, while in the TrustRef the request number is DT04-509, again calling into question the accuracy of the TTC staff, and the lack of supervision to catch and correct these errors.

Another variable that could affect the balances is funds still remaining as owed on records that were escheated. Kessler found that a total of twelve records from the December 2006 escheatment still have balances that remain in the fund. Furthermore Kessler found instances of amounts being escheated while they still had unclaimed warrants that were not stale dated. This creates a situation in which the record was escheated but the warrant could still be cashed.

Kessler has been informed a comparison is performed by TTC staff periodically between TrustRef and Oracle. According to the TTC staff the purpose of this comparison is simply to ensure that monies in the Oracle database will be able to cover any warrants being generated by the TrustRef system. At the completion of the comparison Kessler was told the balances of the database are adjusted to reflect the results of the comparison. Kessler therefore has recognized these adjustments in its reconciliation to prevent duplicative counting of any monies in the database.

The calculated reconciliation to the Oracle database is shown as **Exhibit 19** and **Figure 4** below details the balances Kessler indentified in the Historical, STR and Oracle databases.

**Fig. 4**



Based upon Kessler's calculation \$2,975,720.15 must be transferred to the Oracle database to adequately cover the open balances noted in the TrustRef databases.

## POSSIBLE RISK

Kessler considered using the Escheatment of 2006 initially as a starting point for the reconciliation of the TrustRef database to Oracle since according to a Refund Timeline issued in December 2006 by the TTC (**Exhibit 20**), a County of San Diego Agenda Item dated December 5, 2006 and a document entitled "Minute Order No. 22", dated December 5, 2006 (**Exhibit 21**) the TrustRef database for the tax years 1996-2002 was properly zeroed out.

Kessler's review of the documents indicated that the three documents contradict each other. The document labeled "Agenda Item" (**Exhibit 21**) identifies a total of \$2.4 million in unclaimed property tax refunds for the tax years 1996-2002. The document further states that the TTC has been able to refund \$2.005 million to 6,073 taxpayers and \$223,840.61 remains unclaimed and available for escheatment. Based upon a simple calculation this document leaves a discrepancy of approximately \$200,000 which is unexplained.

The Refund Timeline document (**Exhibit 20**) shows a total of \$2.169 million in property tax refunds refunded to 7,172 taxpayers and 1,737 records, totaling \$223,840.61, which was to be escheated to the County General Fund, totaling \$2.4 million dollars. No explanation was given to TTC stating the two documents differ.

Kessler analyzed the refund and escheatment transactions to assess a starting point to prepare the reconciliation between the TrustRef and the Oracle database to determine if any instances of fraud existed. In the refund process Kessler uncovered that a balance of **\$303,663.82** is still allegedly due to taxpayers and still remains to be refunded or escheated for the period 1996-2002.

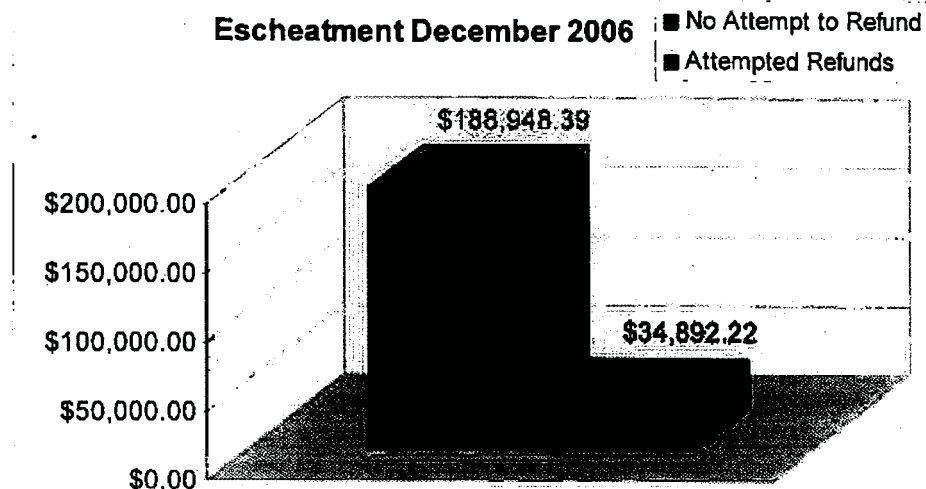
Because of the vast number of discrepancies in the information provided, Kessler could not rely on any of these documents as a base to perform the

reconciliation of the TrustRef database to Oracle. These calculations also raise considerable concerns about the potential of fraud in the refund process that could only be determined with a complete review of cancelled warrants applicable to the refunds made.

Kessler also found that due diligence was lacking as defined in the Escheatment of Unclaimed Property Tax Refunds Policies and Procedures Guide which states, "On August 1 of each year, the Accounting Manager generates from the Trust Refund System and provides to the Financial Division Manager a report of unclaimed tax refunds that remain unclaimed for four or more years." The Financial Division Manager and Financial Division staff then conduct research to attempt to locate the refund recipient, documenting each research attempt and using a research guideline and escheatment checklist.

Based upon the documents supplied to Kessler, 1,521 overpayments (\$188,948.39) of the 1,737 overpayments (\$223,840.61) that were escheated in December 2006 failed to have any attempt made to refund the overpayments. Figure 5 below shows the overpayments that were escheated again those that did not have any attempt made to refund the overpayments.

Fig.5



Kessler further found that 5 of the escheated overpayments still had refunds listed as unclaimed in the TrustRef database. The refunds on these specific overpayments were sent out during the month of November 2006 and the following month they were escheated. There is a possibility that these refunds have been both cashed and escheated creating a negative balance in Oracle and TrustRef (**Exhibit 22**).

Finally, Kessler uncovered that one overpayment which was escheated had a deposit date of July 2006. This overpayment (TrustRef RecID number 822317689) did not meet the requirements of a minimum of four years in the TrustRef database to be escheated. This record should not have been escheated (**Exhibit 23**).

## **RECOMMENDATIONS**

### **Finding 1**

#### **Field Changes on Records One Week Prior to Conversion**

Kessler recommends that all the warrant checks attributable to these records be reviewed to determine if they were properly issued and received by the rightful recipients.

#### **“ORIGAMT” Changes**

Kessler recommends that logs be maintained and reviewed, as this will help create an audit trail and show user accountability for any changes that might be made. Kessler also recommends that management ensures that sufficient user security permissions are in place so that users will only be able to make changes to fields applicable to their roles and responsibilities within the TTC.

#### **Data Corruption**

Kessler recommends that data corruption and other unusual variances should be investigated and reconciled immediately with the mainframe and that routine reconciliations be performed in order to identify and correct any errors.

#### **Date Discrepancies**

Kessler recommends that records and transactions in the TrustRef database be periodically reconciled and checked against the mainframe database to ensure the integrity of the data.

#### **Negative “ORIGAMT”**

Kessler recommends that the database be programmed to alert the issuer of any monies due to the County before issuing refunds to the taxpayer.

### **No "ORIGAMT"**

These discrepancies demonstrate a lack of oversight on the part of Management. Kessler recommends that these transactions be reconciled in order to enhance the integrity of the database.

### **"DUMMY" Entries**

The various explanations given for the "Dummy" records indicate a lack of understanding of the policies and procedures in effect and compromises data integrity. This practice also creates the potential for fraud. Kessler recommends that no records ever be deleted from the database, especially key information such as names and addresses. This practice indicates that management is not efficiently overseeing staff and is condoning this practice. Existing records with incomplete or incorrect data should be flagged by management and further examined to ensure the integrity of the data to determine why the data is either incomplete or incorrect.

### **Historical Data**

Kessler recommends that attempts be made to find the rightful owners of the overpayments and if they cannot be located that the funds be escheated to the County.

## **Finding 2**

### **Fraudulent Warrants**

Kessler recommends that users be required to be more descriptive in the comment field to maintain an audit trail.

Adjustments should be made to entries that may have been paid out twice due to a fraudulently cashed warrant to properly reflect them in the database.

### **Theft Report – Findings Concerning Theft from TrustRef**

Kessler recommends that Management void fraudulent transactions as soon as they are identified.

### **Finding 3**

#### **Logs were not Implemented**

Kessler recommends that audit logs involving changes to the database be maintained and reviewed regularly in order to ensure accountability. Previous audits made recommendations that logs be implemented, yet these recommendations were not heeded until recently. The absence of logs is a significant security flaw which would prevent the identification of a fraudulent transaction.

#### **Inadequate Security Permissions**

Kessler recommends that management react immediately to update the status of users who should no longer have access to the TrustRef database. Security parameters should be in place to allow immediate user permission changes and prevent unauthorized access and/or changes to data in the TrustRef database. Additional security maintenance and audits must be performed on a periodic basis.

#### **Notations to Delete Records**

Kessler recommends that no records ever be deleted. Records should be archived in another database so as to maintain a complete audit trail and not compromise the historical information of any taxpayer in San Diego County. Additionally, user permissions to delete records should be user restricted and logs should be kept of any records deleted and the reasons why. Kessler further recommends that entries with the notations to delete in Figure 3 of the report should be reconciled with the mainframe to determine if any inappropriate activity took place.

## **Finding 4**

### **Major Data Loss**

Kessler recommends that a detailed reconciliation should be conducted between the STR and the mainframe on all records that contain the notation of "Restored 7/12 many lost" to determine the accuracy of the data and ascertain that fraud does not exist.

### **Findings Regarding the TrustRef User Manual**

Kessler recommends that any future changes in policy and procedure be amended to the manual as they occur and subsequently issued to all TTC employees. Employees should be issued updated Policies and Procedures Guides and User Manuals and management should take steps to ensure that employees are fully compliant with all the policies and procedures outlined by those documents.

## **Finding 5**

### **Changes to the Back-End**

Kessler again recommends that security parameters and user permissions be implemented, with diligent control over who has access to both the entry and approver transactions. Proper and periodic security maintenance must be conducted so as to better ensure the integrity of the data and decrease the risk of fraud.

## **Possible Risk**

All property tax refund checks issued from August 15, 2005 – September 12, 2006 should be checked against the TrustRef database, cancelled checks and the mainframe to identify if fraudulent checks were issued and cashed.

## **CONCLUSION**

Kessler uncovered many discrepancies, irregularities and user errors during the audit including the deletion of data which is an indicator that fraud may have occurred.

Current and former TTC employees related concerns that the failure to follow policies and procedures and the lack of management oversight could attribute to the problems affecting the TrustRef database.

Inefficient user security permissions and the absence of logs enables user to change or delete data without approval and accountability. Previous audits also made recommendations that logs be implemented yet they were not until June or July 2008. It was apparent that data integrity was comprised and the potential for fraud exists since there were no audit trails to follow.

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