



**A Report to the Citizens
of Salt Lake County, the County Mayor
and the County Council**

September 2006

A Limited Scope Audit of the

Recorder's Office

Sean Thomas

Salt Lake County Auditor

A Limited Scope Audit
of the
Salt Lake County Recorder's Office

September 2006

SEAN THOMAS
Salt Lake County Auditor

JAMES B. WIGHTMAN, CPA
Director, Internal Audit

LARRY DECKER, CPA
Assistant Director, Internal Audit

Audit performed by:

Celestia Cragun, MBA
Cherylann Johnson, MBA
Charles Kulp, CIA
Amy McCormick, MAcc, CPA
Brenda Nelson, MBA
Jeff Wood, MBA

Table of Contents

- I. Executive Summary1
- II. Introduction.....9
- III. Definition of Terms.....10
- IV. Scope and Objectives.....12
- V. Findings and Recommendations13
 - 1.0 Salt Lake County Recorder’s Office Efficiencies.....13
 - 1.1 Recorder’s Office staff has decreased since implementing SIRE systems13
 - 1.2 Greater efficiency in the number of documents and pages recorded per employee has been achieved since implementation of SIRE systems15
 - 1.3 Efficiencies and effectiveness achieved through SIRE systems, and the justification for offsite replication have not been proactively presented to the County Council, resulting in the Council’s lack of understanding18
 - 1.4 RECOMMENDATIONS24
 - 1.5 SIRE systems architecture and configuration were not adequately explained to the County’s Information Services Division (I/S), and reasoning for co-location was not sufficiently outlined to I/S or the County Council24
 - 1.6 RECOMMENDATION27
 - 2.0 The Contracting Process27
 - 2.1 The District Attorney’s Civil Division determined after extensive review during July 2004 that at least 11 prior “changes to scope of work” were entered into between 1997 and 2004, 10 by informal amendment, and only one by written amendment, as required by the 1996 contract28
 - 2.2 RECOMMENDATION31
 - 2.3 Notwithstanding the 1996 Contract requirements, scope changes to the contract which have exceeded \$10,000 should have been competitively bid, unless one of the 11 exceptions applied.....31
 - 2.4 RECOMMENDATION32
 - 2.5 The provisions of formal Amendment #12, prepared in August 2004, were subsequently ignored or misapplied by the Recorder’s Fiscal Manager and the Contracts Manager when processing SIRE’s September 24, 2004, Quote Proposal.....32
 - 2.6 RECOMMENDATION34
 - 2.7 The Contracts and Procurement Division Director was primarily responsible to interpret and apply the requirements of the 1996 Contract, including changes requiring amendments.....35
 - 2.8 RECOMMENDATIONS37

2.9	The Debt Review Committee (DRC) was not given opportunity to fulfill its duty to review all proposed debt issuance with a repayment schedule extending beyond the current fiscal year	37
2.10	RECOMMENDATIONS	38
3.0	The Budgeting Process	39
3.1	The Recorder's Office followed Countywide policy when submitting an appropriation unit adjustment in October 2004 to make funding available for their offsite replication and website development initiative.	39
3.2	RECOMMENDATIONS	40
4.0	The Accounting Process	41
4.1	The Recorder's Office Fiscal Managers used the incorrect object codes repeatedly over the span of the contract with SIRE when encumbering the funds and paying invoice for transactions.....	41
4.2	RECOMMENDATIONS	55
Appendix A	1996 SIRE Contract, Section 4	
Appendix B	July 13, 2004 Letter from Recorder to District Attorney	
Appendix C	Contract Scope Change Document prepared by District Attorney	
Appendix D	September 24, 2004 Quote Proposal	
Appendix E	Project Assumptions and Discussion Document	
Appendix F	Amendment #12, Paragraph C, Additional Upgrades or Modifications	
Appendix G	December 7, 2004 Letter from Recorder to Mayor	
Appendix H	Recorder's AlphaCorp/SIRE Quote Proposal Approved by Mayor's Authority December 17, 2004	
Appendix I	October 26, 2004 Letter from Recorder to Auditor's Office	
Appendix J	Flowchart of SIRE system in Recorder's Office	
Appendix K	October 31, 2000 Letter from the Contract Manager to the District Attorney	
Appendix L	November 16, 2004 Budget Workshop Minutes	
Appendix M	Power Point slide prepared by Tax Administrator for 2004 Budget Workshop	
Appendix N	Audit Release: Summary of Findings Related to Limited Scope Audit of Recorder's Office Contracting with SIRE Technologies	

A Limited Scope Audit of the The Salt Lake County Recorder's Office

I. Executive Summary

Background

The Salt Lake County Recorder's Office is the repository for all recorded documents and records pertaining to land and real property. The Recorder's Office maintains cross-reference indexes to all recorded documents and records and provides for the subsequent retrieval for public viewing.

Utah Code, Title 17, Chapter 21, Section 1, states that, "*The County Recorder:*

- *Is custodian of all recorded documents and records required by law to be recorded;*
- *Shall establish policies and procedures that the recorder considers necessary to protect recorded documents and records in the recorder's custody, including determining the appropriate method for the public to obtain copies of the public record;*
- *May establish procedures and guidelines to govern the electronic submission of plats, records, and other documents to the county recorder's office."*

The Recorder's Office entered into a contract with SIRE on December 16, 1996, for an EDMS.

As a result of questions raised about the Recorder's Office by certain members of the Salt Lake County Council, which sparked media interest and whistle-blower complaints by former Recorder employees, the Auditor's Office engaged in a limited scope audit of the Salt Lake County Recorder's Office contracting relationship with AlphaCorp, dba SIRE Technologies, Inc. (SIRE), formerly Alpha Numeric Solutions. The Recorder entered into this contract on December 16, 1996, for SIRE to provide an electronic document management and imaging system (EDMS) to automate document processing and storage.

Over the ten-year period of this relationship, SIRE evolved from a value-added reseller of existing EDMS software to a full proprietary developer of EDMS products and services under the brand SIRE Technologies. During the course of this transition the Recorder has requested numerous changes in the scope and cost of the base contract.

Most recently, during December 2004, the Recorder undertook the initiative to completely replicate the SIRE systems currently resident in the Salt Lake County Government Center and co-locate the replication in a specifically designed host facility in Lindon, Utah. In addition, the initiative included the development of a dedicated web-access to the Lindon location by Recorder Office patrons. This

arrangement is separate and independent from the web access to the Recorder's data and documents on the County's mainframe computers located at the Government Center.

Some Council members, their staff, and Mayor's Office officials questioned the Recorder's transparency and candor in pursuing an initiative for which he was requesting funding of an additional \$95,000 for 2006, after an expenditure of \$207,750 in 2005. Projected additional expenditures of another \$90,000 in 2007 and \$45,000 in 2008 are required to complete the project under the informal agreement with SIRE. The Recorder deemed his actions to be within the statutory authority of the Recorder's Office and took the position that the opportunity was provided to the Council and the Mayor during the 2004 budget hearings to have obtained sufficient understanding of the Recorder's initiative, and that the Council took action to approve the initial funding of \$207,750 during the 2005 budget year.

It was within this context that controversy arose when the Recorder requested a mid-year budget adjustment to fund payment of the \$95,000 invoiced by SIRE for 2006.

The scope of our review was to determine if proper contracting, budgeting, and accounting policies and procedures were followed with respect to the purchase, implementation and expansion of the EDMS from SIRE. The scope also included inquiries and analysis to determine if efficiencies and effectiveness have been achieved through the use of SIRE systems.

The following section summarizes the principal findings in each area.

Findings and Recommendations

The principal findings of the audit are:

- *Recorder's Office staff has decreased since implementing SIRE systems.*
- *Greater efficiency in the number of documents and pages recorded per employee has been achieved since implementation of SIRE systems.*
- *Efficiencies and effectiveness achieved through SIRE systems, and the justification for offsite replication have not been proactively presented to the County Council, resulting in the Council's lack of understanding.*
- *The District Attorney's Civil Division (DA) determined after extensive review during July 2004 that at least 11 prior "changes to scope of work" were entered into between 1997 and 2004, 10 by informal amendments, and only one by formal written amendment as required by the 1996 contract.*
- *The provisions of formal Amendment #12, prepared in August 2004, were subsequently ignored or misapplied by the Recorder's Fiscal Manager and the Contracts Manager when processing SIRE's September 24, 2004 Quote Proposal.*

- *The Recorder's Office followed County-wide policy and procedure when submitting an appropriation unit adjustment in October 2004 to make funding available for their offsite replication and website development initiative.*
- *The Recorder's Office Fiscal Managers used the incorrect object codes repeatedly over the span of the contract with SIRE when encumbering the funds and paying invoices for transactions.*

Recorder's Office staff size has decreased since implementing SIRE systems. Our examination of the County's monthly job allocation report showed that the number of actual full-time equivalent (FTE) employees has dropped 6.79 FTEs since the SIRE system was first acquired, based on an actual count of 67.04 at the end of 1996 compared to 60.25 at the end of February 2006. The total actual count peaked at 81 in 1998 then decreased thereafter.

The County's Budget Reporting and Analysis Support System (BRASS) is where position allocations of each County organization are shown. The Council approves the number and types of positions an organization is allowed to fill, though the agency may choose to not fill all approved allocations. The Recorder's Office has had gaps between the number of approved allocations and actual employees on staff. Total approved allocations of the Recorder at the end of 2002, the first year BRASS went on-line, were 72. By the end of February 2006 there were 57 approved allocations, a reduction of 15. Since BRASS was introduced the Council proactively reduced the Recorder allocations from 72 to 57. See Table 1, page 14 for further detail.

Thus, the Recorder's actual FTE count has decreased by 6.79 since 1996. Total personnel costs have increased over this period due to such factors as the need to hire temporary employees in the early years of transition to SIRE systems and when document workloads peaked, cost of living adjustments, merit raises, employee reclassifications, and increases in health insurance costs, factors that though out of the control of the Recorder, have somewhat offset the cost savings achieved through workforce reductions. However, without the automation achieved through the SIRE systems, additional FTE's would likely have been required to manually perform many tasks that are now automated, which would have produced steeper increases in personnel costs. Thus, implementation of SIRE systems has resulted in lower incremental personnel costs, fewer employees on staff, and a higher number of documents, and pages per document, processed per employee.

Greater efficiency in the number of documents and pages recorded per employee has been achieved since implementation of SIRE systems. During the past 15 years, total documents recorded have more than doubled; from 141,557 in 1990 to 334,441 in 2005. The ratio of documents recorded to the number of employees is an indicator of efficiency in Recorder's Office operations. An increase in this ratio since implementation of SIRE systems is a strong indicator that automation has led to increased efficiency. Since implementation of SIRE systems, documents recorded per employee have steadily increased, from 4,363 in 1996 to 5,460 in 2005, an increase of over 1,097 documents per employee (25%). Likewise, the number of pages per document has gradually increased from 2.02 in 1990 to 4.67 in 2005, an increase of 68 percent. Overall the number of pages processed per year increased from 813,142 in

1996 to 1,560,908 in 2005, an increase of 92 percent. Likewise, the number of pages processed per employee increased from 12,129 to 25,484, more than a 100 percent increase. See Table 2, page 16.

Since implementation of SIRE systems, documents recorded per employee have steadily increased.

Efficiencies and effectiveness achieved through SIRE systems, and the justification for offsite replication, have not been proactively presented to the County Council, resulting in the Council's lack of understanding. Improved efficiency in the Recorder's Office has resulted from implementation of SIRE systems. Tasks now require less time to complete and employees perform fewer data entry steps resulting in faster processing of documents. These efficiencies have been achieved through SIRE systems features like scanned imaging of multi-page documents, viewing documents via the Internet, automated work flow, and one-time entry for repetitive data.

The Recorder's Office has not adequately explained these significant improvements, and the efficiencies, effectiveness and future potential applications of SIRE systems to the County Council. This communication breakdown has contributed to the Council's apparent misperception regarding these technological advances. The Recorder's Office has also seemed reluctant to participate in the County's performance measurement efforts. Our review of Recorder processes and data disclosed that basic performance measures were readily definable and relatively easy to compute. We recommend that the Recorder be proactive in developing, tracking and publishing performance measures.

Significant advancements in technology that SIRE systems have brought to the Recorder's Office warrant attention from the County Council.

Efficiencies that SIRE systems bring to the Recorder's Office should be communicated to the County Council. The Recorder asserted to us his reluctance to be proactive because of his presumption that the Council would not be attentive or responsive. From our review of the 2004 Budget Hearings related to this matter, we noted some degree of Council impatience and inattentiveness. We recommend that the Recorder's Office invite personnel from SIRE to brief the Council on the functionality and benefits of SIRE software systems. The Council should be updated on the technological improvements that have resulted from implementation of the SIRE systems. This information is vital to the Council in its policy making and appropriation functions.

The District Attorney's Civil Division (DA) determined after extensive review during July 2004 that at least 11 prior "changes to scope of work" were entered into between 1997 and 2004, 10 by informal amendments, and only one by formal written amendment as required by the 1996 Contract. The 1996 Contract, Section 4, "Changes to Scope of Work," Paragraph A, states, "County may at any time by written order, make changes within the general scope of this Agreement, and in the services or work to be performed." This paragraph goes on to state that if after the first year of the agreement, changes not contemplated in the attachments to the original agreement, are requested by the County which cause an increase in cost and time required, "then an equitable adjustment shall be made in writing accordingly" (See Appendix A).

These provisions of Section 4 of the contract were misunderstood, ignored or at best haphazardly applied by the Recorder's Fiscal Manager and by the Contracts & Procurement Division (C&P) in multiple instances between 1997 and 2004. However, there were two instances where Section 4 guidelines for amending the contract in

writing were followed. The first written amendment occurred in December 2000 to allow for electronic signature authentication of documents over the internet. Some four years and 10 informal amendments later, the Recorder requested, in a letter dated July 13, 2004 (See Appendix B), that the DA prepare another written amendment to the SIRE contract.

As a result of the July 13, 2004 letter, the DA determined that between 1997 and July 2004, the original base agreement had been modified by 10 separate software maintenance invoices and other informal means without formally amending the contract in writing (See Appendix C). The DA concluded that a formal written amendment was required, and taking into account the prior ten informal changes of scope, the DA designated this modification as Amendment #12.

Amendment #12 contained three provisions for: 1) development of an optical character recognition project, 2) a 5-year extension of annual systems maintenance services, and 3) additional future upgrades and modifications. Notably, the amendment retained the requirement of the 1996 Contract that future upgrades and modifications be made by a bilateral contract in writing. This contractual requirement is more stringent than County Ordinance Title 3, Chapter 3.28.040, which states that a bilateral contract is required whenever goods, services, or consultant services exceed \$10,000. Because of the specific language in Section 4 of the original contract, written amendments are required for changes in scope, regardless of the dollar amount of the change. Therefore, we concluded that any and all “changes in scope” to the 1996 Contract must be a written, bilateral contract amendment.

The provisions of formal Amendment #12, prepared in August 2004, were subsequently ignored or misapplied by the Recorder’s Fiscal Manager and the Contracts Manager when processing SIRE’s September 24, 2004 Quote Proposal.

The Recorder’s Office received a Quote Proposal from SIRE dated September 24, 2004 (See Appendix D), approximately six weeks after Amendment #12 was approved. The price tag of the proposal, \$207,750 included lease of hardware to replicate the SIRE systems at the Government Center, lease of a secure, co-location hosting facility located in Utah County, and development of Internet access to the co-location hosting facility. This initiative would allow the Recorder to be up and running in the event of a disaster at the Government Center.

The Contracts Manager and Recorder’s Fiscal Manager relied on the “additional upgrades” provision of Amendment #12 (See Appendix F) to move forward with a change in scope of work as outlined in SIRE’s September 24, 2004 Quote Proposal. However, despite the extensive DA review that occurred to produce Amendment #12 in August 2004, the continuing requirement that upgrades and modifications to the 1996 Contract be accomplished by a written amendment was ignored or misapplied. Thus, when the Fiscal Manager’s December 7, 2004 letter (See Appendix G) to the Mayor requesting approval for payment of the \$207,750 invoice related to the September 24, 2004 Quote Proposal came through the Contracts Manager, she signed and forwarded it recommending approval without referring the matter to the DA for a written amendment as required by the 1996 Contract. The letter also cited the “sole source” exception as justification for not competitively bidding this significant change in scope. However, since the 1996 Contract requires “changes in scope” be in writing,

The September 2004 quote proposal moved forward without a written amendment as required by the 1996 Contract.

an Amendment #13 should have been prepared and the sole source exception, if applicable, incorporated in the amendment.

In the absence of a written amendment to address the specifics of the September 24, 2004 Quote Proposal, confusion resulted. This deviation from course allowed the Recorder to venture into a 3-year commitment for expenditures of \$437,750, not including maintenance, without a formal agreement on terms and conditions, duties and responsibilities. We recommend that a written amendment be prepared detailing the “changes in scope” in SIRE’s services as outlined in the September 24, 2004 Quote Proposal. With participation from SIRE, the Recorder, Contracts & Procurement, and the DA, Amendment #13 should address the hardware and facilities leases, duties and responsibilities of the County and SIRE, and any other changes in scope of the contractual relationship that have already occurred or are contemplated in the September 24, 2004 Quote Proposal.

We recommend that a written amendment be prepared detailing the “changes in scope” in SIRE’s services as outlined in the September 24, 2004 Quote Proposal.

Appendix H, titled “Recorder’s AlphaCorp/SIRE September 24, 2004 Quote Proposal Approved by Mayor’s Authority, December 17, 2004” provides a detailed chronology of events related to the processing and approval of this quote proposal, and the various points of missed opportunity to review the initiative and comply with County ordinances, policies and procedures.

The Recorder’s Office followed Countywide policy when submitting an appropriation unit adjustment in October 2004 to make funding available for their offsite replication and website development initiative. On October 26, 2004, the Recorder’s Office submitted an “Appropriation Unit Adjustment” (See Appendix I) to the Auditor’s Office in order to complete their “book preservation project” and to allow implementation of a new “web server and data storage project” (the latter relates to items set forth on the September 24, 2004 Quote Proposal.) In accordance with Countywide Policy #1050, “Interim Budget Adjustments,” the Recorder’s Office requested the following:

- Transfer \$125,000 from General Fund, Organization 1150, Personnel Appropriation Unit 23, to General Fund, Organization 1150, Operations Appropriation Unit 24.
- Transfer \$300,000 from Tax Administration Fund, Organization 1151, Personnel Appropriation Unit 506, to Tax Administration Fund, Organization 1151, Operations Appropriation Unit 507.

Since the request was near the time of the November budget hearings, these adjustments were included in the year-end adjustments to be considered by the County Council. On November 16, 2004, while the Recorder’s 2005 budget was being discussed, the Council Budget Analyst introduced a discussion about the \$300,000 as a “continuation of the bookbinding project.” The Recorder seemed to confirm this characterization of the \$300,000 adjustment by stating: “Exactly – this should be the finishing of our book restoration.” As a result of this brief discussion some of the Council members and other participants formed the impression that the \$300,000 was for book preservation.

An appropriation adjustment for the Recorder's budget was approved in November 2004.

Our review of the tape recordings of the budget hearing lead us to conclude that the Recorder's attempt to discuss funding to implement a web server and data storage never got past book preservation and caused confusion for the County Council regarding the actual use of these two approved year-end budget adjustments. The tape recording was truncated, however we concluded that the Recorder, though asserting that he was fully prepared to make a presentation, was not allowed time to make a presentation to the County Council to discuss the purchase of "web server and data storage" and its purpose.

Documents and budget hearing minutes filed with the Council Clerk confirmed that a unit appropriation adjustment was approved by the Council later in the session on November 16, 2004. To avoid confusion and frustration in the future, we recommend that the Recorder submit more detailed descriptions of future budget adjustments and that the Recorder request sufficient time on the Council agenda to present requests if they require fuller explanation. Likewise, we recommend that the County Council allow the time and attention necessary to ensure that budget adjustments are understood prior to their approval.

The Recorder's Office Fiscal Managers used the incorrect object codes repeatedly over the span of the contract with SIRE when encumbering the funds and paying invoices for transactions. In repeated instances, the Recorder's Fiscal Managers did not assign the correct object codes to account for the purchases of hardware and software from SIRE. Numerous software modules and items of equipment purchased between 1996 and 2006 were consistently, yet incorrectly, coded to "Maintenance of Office Equipment, (Object Code 2470)" "Maintenance of Software, (Object Code 2485)" or "Other Professional Fees, (Object Code 2930)" instead of "Office Furniture, Fixtures, and Equipment (Capital Purchase Object Code 7410)." The effect of miscoding is that capital assets are not properly inventoried, depreciated, and their disposal documented. This could result in loss or misappropriation of valuable assets like expensive computer hardware.

Approximately 32 percent of the payments that occurred between 1996 and 2006 were not assigned to the correct object code in AFIN.

To promote consistency, standardization and integrity of the financial reporting system, it is important that accounting transactions are recorded correctly. The County financial system, ADVANTAGE Financial (AFIN), includes an accounting structure to allow transactions to be properly recorded in the general ledger. This recording process is known as the accounting distribution. One of the elements of the accounting distribution most commonly used by fiscal personnel is the object code. The object code is the 4-character account used for budgeting/accounting and for expenditures/expenses. It is typically referred to as the "line-item" number. This is the element of the accounting structure where budgeted appropriations are established and tracked.

Approximately 32 percent, 17 of 33 payments to SIRE by the Recorder's Office, between 1996 and 2006, were not classified to the correct object code in AFIN. In addition, approximately 29 percent, 13 of 45 payments, which required documentation in the 1996 Contract filed in C&P, did not have the documentation in the file. Thus, several system modifications occurred that significantly changed the scope and cost of the SIRE contract. However, C&P was neither made aware of these scope changes nor had access to the documentation to keep the contract file current.

In the third quarter of 2005, the Capital Assets Section of the Auditor's Office questioned the miscoding of assets acquired in the September 24, 2004 SIRE Quote Proposal. The Auditor's Office has been working with the Recorder's Fiscal Manager to make correcting journal entries. We recommend that the Recorder's Fiscal Manager be provided with remedial training to ensure that future financial transactions and asset acquisitions are assigned the correct object codes in AFIN.

Prior Release of Audit Findings, Conclusions and Recommendations

Due to the publicity surrounding these inquiries, the County Council's Sub-committee on Elected Officials and Tax Issues was briefed on May 9, 2006 on the major findings, conclusions, and recommendations of this audit. A CD containing this presentation is enclosed with this report.

Simultaneous to the May 9, 2006 presentation, an **Audit Release** document was issued by the Auditor entitled, "Summary of Findings Related to Limited Scope Audit of Recorder's Office Contracting with SIRE Technologies." A copy of this Audit Release is enclosed at Appendix N.

Section V of this report provides the full details of the findings summarized above and other findings and recommendations resulting from our audit.

A contract was established between the Recorder's Office and SIRE on December 16, 1996.

II. Introduction

The Salt Lake County Recorder's Office is the repository for all recorded documents and records pertaining to land and real property. Legal documents pertaining to real property transactions are submitted to the Recorder's Office for recordation and inclusion into the public record. Property ownership, description, acreage, and other related information is available through the Recorder's Office. The Recorder's Office maintains cross-reference indexes to all recorded documents and records and provides for the subsequent retrieval for public viewing.

Utah Code, Title 17, Chapter 21, Section 1, states that, "*The county recorder:*

- *is custodian of all recorded documents and records required by law to be recorded;*
- *shall establish policies and procedures that the recorder considers necessary to protect recorded documents and records in the recorder's custody, including determining the appropriate method for the public to obtain copies of the public record;*
- *may establish procedures and guidelines to govern the electronic submission of plats, records, and other documents to the county recorder's office."*

In July 1996, the Recorder's Office requested proposals for an electronic document management/image system to streamline the workflows within their office. Alpha Numeric Solutions, the former company name for SIRE Technologies, Inc. (SIRE) submitted a proposal. A contract was established between the Recorder's Office and SIRE on December 16, 1996. The contract stated that SIRE would provide software, equipment, and related services to develop, install, and maintain an EDMS/imaging, information, and workflow system. The contract also provided for annual renewal of maintenance service agreements.

As work got underway, documents that historically had been manually microfilmed began to be digitally scanned in 1997. Scanned documents were made accessible on the internet, allowing patrons and Recorder's Office employees to have on-line, ready access.

The systems technology acquired from SIRE was designed to help achieve greater efficiency through integration and coordination of office processes. Improved coordination was achieved through electronic processing of documents, assigning and distribution of workflow, and elimination of duplicative data input. Over the period examined, SIRE systems have been applied to all functions within the Recorder's Office, except platting. All parcels are assigned "Sidwell" numbers and included on a map of property Countywide. The County purchased the parcel numbering system from the Sidwell Company in the early 1970's. It is used to uniquely identify each parcel by such coordinates as section and quarter section.

The Recorder's Office has achieved efficiencies with SIRE. Tasks require less time to complete because multi-page documents are rapidly scanned, indexed and microfiched for archiving. The Recorder's Office has increased the number of documents processed per employee per year by just over 1,000 or 25 percent from 1996 to 2005. Over the same period, the number of pages processed has increased 747,766, or 92

Over the same period, the number of pages processed has increased 747,766, or 92 percent.

percent. Peak efficiencies have coincided with peak loads reaching 6,714 documents per employee per year in 2003. During the same period, the actual number of full-time equivalent employees (FTE's), including temporary employees, has decreased from 67 in 1996 to 60 in 2006, with FTE's peaking at 81 in 1998.

The Recorder's Office has not proactively tracked or showcased their improved efficiencies as opportunities were presented, such as during the performance measurement initiatives of 2004 and 2005. This contributed to a communication breakdown that has resulted in a lack of understanding regarding these technological advances. Likewise, the efficiencies achieved have not been explained effectively to the County Council, resulting in the Council's lack of clarity regarding the Recorder's achievements and initiatives in these matters.

III. Definition of Terms

1996 Contract: A contract initiated December 16, 1996 and still in effect between Alpha Numeric Solutions (SIRE) and Salt Lake County Recorder's Office to develop, install, and maintain an electronic document image, information, and workflow system (EDMS).

Alpha Numeric Solutions, AlphaCorp, SIRE Technologies, Inc.: The company that developed, installed, and maintains the electronic document image, information, and work flow system for documents maintained by the Salt Lake County Recorder's Office. The Recorder's Office entered into a contract with Alpha Numeric Solutions in 1996. The 1996 contract has been amended twice and is still currently in effect. Alpha Numeric Solutions has changed names several times. The company has also done business as AlphaCorp and currently does business as SIRE Technologies, Inc. SIRE is used in the report to refer to the company.

Advantage Financial (AFIN): AFIN is a complex set of software programs that creates a series of ledgers and tables which process and report all budgeting and accounting transactions.

Amendment #12: The second formal, written amendment to the 1996 Contract between SIRE and the Salt Lake County Recorder's Office. Amendment #12 contained three main provisions: 1) the optical character recognition project, 2) a 5-year extension of annual maintenance, and 3) language regarding future upgrades and modifications. The latter provision of Amendment #12 retained the requirement of the 1996 Contract that future modifications were to be made by written, bilateral contract.

Appropriation: An allocation of funds to an organization for a specific purpose, i.e. personnel, operations and maintenance, or capital expenditure.

Appropriation unit adjustment: Shifting funds from one appropriation unit to another within an organization's adopted budget when the organization encounters unforeseen expenditure requirements.

Approve as to form: The District Attorney approves contracts “as to form.” Approved as to form means only that the County may lawfully enter into the proposed contract and that the proposed contract contains no illegal provisions. Authority to approve as to form does not grant the authority to review the proposed agreement for reasonableness or marketability, nor to determine whether the proposed agreement represents good public policy, or is in the best interest of the county, or is the most cost effective transaction.

Book preservation project: The Recorder’s process of preserving and maintaining books that contain a history of documents recorded in the County.

Changes to scope of work: The County may at any time make changes within the general scope of the 1996 Contract if the changes are in a formal, written amendment.

Co-locate: The course of action to completely duplicate the SIRE systems currently resident in the Salt Lake County Government Center to a specifically designed hard-bunkered offsite facility in Lindon, Utah.

Co-location host facility: The vendor in Lindon, Utah that has a contract with SIRE to provide the web-hosting service and replication site for the Recorder’s EDMS.

Contracts and Procurement Division (C&P): The centralized purchasing authority in Salt Lake County. C&P assists County organizations in purchasing goods and contracting services that are deemed necessary to provide the public services.

CRISP: The County Recorder Imaging System Program is the internal imaging and workflow system in the Recorder’s Office. This term was used to refer to the EDMS implemented by SIRE in the early stages of the 1996 Contract.

Debt Review Committee: A Salt Lake County committee established by ordinance, who has responsibility to review all proposals to incur debt where repayment extends beyond the current fiscal year.

District Attorney (DA): The District Attorney has a statutory duty to prepare, review, and “approve as to form” contracts for County organizations.

Electronic Document Management and Imaging System (EDMS): A workflow intensive imaging system with records management capability that assists in streamlining work flows, eliminates the manual movement of data from area to area, and increases productivity and efficiency.

General Fund, Organization 1150: The General Fund is the general operating fund of the County. Organization 1150 is the Recorder’s part of the general fund used to budget and account for revenue sources and expenditures relating to Recorder Countywide functions. The monies are used to record documents and to maintain an accurate and searchable database of property ownership.

Object Code: A 4-character code used to classify budget expenditures and accounting expenses. The object code is also referred to as the “line-item” number. This is also the

elemental level of the accounting structure where budgeted appropriations are established and tracked.

POLARIS: The Public On-line Access to Recorded Information System is the delivery program wherein the information contained in the Recorder's Office including images of all documents recorded, all indices, and all parcel maps are available instantly over the internet. Access to documents over the Internet is currently referred to as part of the SIRE EDMS. The term POLARIS was used in the early stages of the system.

Project Assumptions and Discussion Document: A document attached to the September 24, 2004 Quote Proposal that expanded the scope of the 1996 Contract. The document discussed a three-year lease of hardware and an off-site facility for replication of the EDMS. The document also outlined payments that would be due for 2006 through 2008 (See Appendix E).

Replication: The process of duplicating the SIRE System used in Recorder's Office. The replicated SIRE system receives and stores all document images and data processed and updated by SIRE systems at the Recorder's Office and the County I/S mainframe.

September 24, 2004 Quote Proposal: A document proposing three major undertakings by SIRE for a three-year period. These undertakings included 1) Hardware acquisitions 2) Hosting services and 3) Website development for an initial cost of \$207,750, and a total cost over the three-year period of \$437,750 (See Appendix D).

Tax Administration, Organization Fund 1151: This fund is used to budget and account for the revenues and expenditures relating to assessing and collecting property taxes under statutory requirements. All elected offices involved in the property tax system have budgets adopted within this fund. The Recorder's portion of the Tax Administration Fund is designated as Organization 1151.

Value-added reseller: A company that adds some feature to an existing product then sells it to an end-user as a new package.

IV. Scope and Objectives

The scope of our audit included reviewing the contract and transactions that occurred between the Salt Lake County Recorder and SIRE over the past 10 years, and the efficiencies and effectiveness achieved.

Our review was designed to achieve the following objectives:

- To determine if efficiencies and effectiveness have been achieved through the use of the SIRE electronic document management/image system technology.
- To determine if the Recorder's Office has been able to enhance services to constituents as a result of the implementation of the SIRE electronic document management/image system technology.

- To determine if required contracting processes were followed with respect to the purchase and implementation of the SIRE electronic document management/image system technology.
- To determine if required budget processes were followed with respect to the purchase and implementation of the SIRE electronic document management/image system technology.
- To determine if appropriate budgeting and accounting entries were made to account for the hardware, software, and annual maintenance purchases from SIRE.

V. Findings and Recommendations

The findings and recommendations are divided into 4 sections: Salt Lake County Recorder's Office Efficiencies, the Contracting Process, the Budgeting Process, and the Accounting Process.

1.0 Salt Lake County Recorder's Office Efficiencies

- **Recorder's Office staff has decreased since implementing SIRE systems.**
- **Greater efficiency in number of documents and pages recorded per employee has been achieved since implementation of SIRE systems.**
- **Efficiencies and effectiveness achieved through SIRE systems, and the justification for offsite replication have not been proactively presented to the County Council, resulting in the Council's lack of understanding.**
- **SIRE systems architecture and configuration were not adequately explained to the County's I/S Division, and reasoning for co-location was not sufficiently outlined to I/S or the County Council.**

1.1 Recorder's Office staff has decreased since implementing SIRE systems.

Between the year 1996 and February 2006, the number of actual full-time employees has decreased by 6.79.

Our examination of the County's monthly job allocation report showed that the number of actual full-time equivalent employees (FTEs) has dropped only 6.79, based on an actual count of 67.04 at the end of 1996 compared to 60.25 at the end of February 2006. The number of actual FTE's, both full-time and temporary, peaked at 81 in the early years of transition to SIRE systems and has trended down thereafter.

The County's Budget Reporting and Analysis Support System (BRASS) is where position allocations of each office or division are recorded and tracked. The Council approves the number and types of positions an agency is allowed to fill, though the

Audit Report: Salt Lake County Recorder

agency may not actually fill all positions allocated. The Recorder’s Office has had gaps between the number of approved allocations and actual employees on staff. Total approved allocations of the Recorder at the end of 2002, the first year BRASS went on-line, were 72. By the end of February 2006 there were 57 approved allocations, a reduction of 15. Since BRASS was introduced the Council proactively reduced the Recorder allocations from 72 to 57. Table 1 below shows trends in allocations to the Recorder’s Office since 1990, compared to actual employees. Information is provided from two reports, the job allocation report, and BRASS.

Full-Time Equivalent Employees (FTE’s) in the Recorder’s Office 1990-2006						
Per Job Allocation Report dated 12/31, except 2006, 2/28						
Year	Actual Full-time	Actual Temp.	Actual Total	Allocated Full-Time	Actual Vs. Allocated	
1990	48.50	1.50	50.00	51.25	(1.25)	
1991	47.61	-	47.61	51.25	(3.64)	
1992	52.44	1.00	53.44	53.25	.19	
1993	57.42	1.00	58.42	58.25	.17	
1994	56.52	1.00	57.52	59.25	(1.73)	
1995	61.25	1.00	62.25	65.25	(3.00)	
Contract Entered →	1996	65.29	1.75	67.04	65.75	1.29
1997	69.06	8.00	77.06	72.50	4.56	
1998	71.31	9.75	81.06	75.50	5.56	
1999	69.75	6.50	76.25	74.50	1.75	
2000	63.00	0.50	63.50	71.50	(8.00)	
BRASS On-line →	2001	52.75	6.75	59.50	72.50	(13.00)
	2002	55.50	8.25	63.75	72.00	(8.25)
2003	58.50	9.75	68.25	62.00	6.25	
2004	55.50	6.75	62.25	62.00	.25	
2005	55.75	5.50	61.25	62.00	(.75)	
2006	54.75	5.50	60.25	57.00	3.25	

Table 1. Recorder’s Office staffing levels have decreased.

An examination of Recorder’s Office staffing trends back to 1990 shows that staffing actually increased throughout the 90s, even after SIRE systems began implementation in 1996. The staffing level peaked in 1998 at 81 actual regular employees and has gradually decreased to about 60 in February 2006, a reduction of 21.

Staffing levels peaked in 1998 at 81 actual regular employees and have gradually decreased since that time.

Much of the reported reductions in staffing could be attributed to wide gaps between the number of allocated and actual employees from 2000 to 2002, compared to a much smaller gap today. At the end of 2002, the job allocation report showed allocations of 72 compared to 63.75 actual employees, a difference of 8.25. At the end of 2005, BRASS reported Recorder’s Office allocations of 62, compared to actual full-time employees based on the job allocation report, of 55.75, a difference of 6.25. Recently, however, this gap has become much smaller. At the end of February 2006, BRASS reported allocations of 57, compared to the job allocation report of actual employees of 54.75, a difference of only 2.25. Allocated positions were found to have been reduced more significantly than actual employee levels. Figure 1 on page 15 shows Recorder’s

Office staffing levels, both allocated and actual from 1990 through 2006. All figures are based on year-end data, except for 2006, which is from the February 28th report.

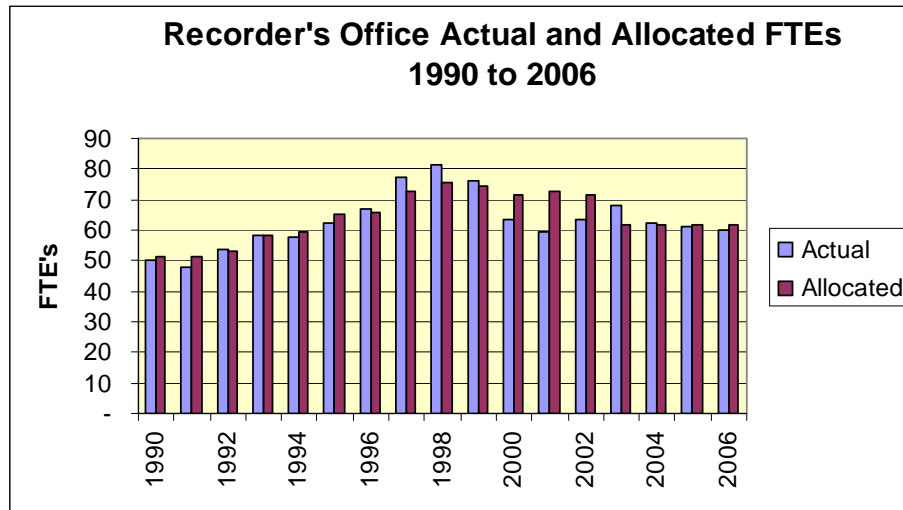


Figure 1. The gap between number of employees allocated to the Recorder's Office and the actual numbers has decreased from 2000 to 2006.

An article from *Government Technology* magazine, dated September 24, 2002, titled, "Signed, Sealed and Electronically Delivered," touted efficiencies achieved by the Salt Lake County Recorder through on-line recording by stating, "Recorder's Office staff shrunk from 100 employees to 60, while the number of filings soared, thanks to a boom in housing in the Salt Lake region." At no time has the staffing level reached 100. Granted, the Recorder's Office has reduced its staff size since the introduction of SIRE systems, but reductions are less than what has been reported in some media publications.

1.2 Greater efficiency in the number of documents and pages recorded per employee has been achieved since implementation of SIRE systems.

During the past 15 years, total documents recorded have more than doubled; from 141,557 in 1990 to 334,441 in 2005. Noteworthy milestones in these totals are seen in 1992, when documents recorded surpassed 200,000 for the first time; in 1998, when recordings moved past the 300,000 mark, and were nearly 100,000 documents greater than the prior year; and in 2003 when they were well into the 400,000 range. The following two years, 2004 to 2005, saw a decline back into the 300,000 range.

Documents recorded per employee have steadily increased.

The ratio of documents recorded to the number of employees is an indicator of efficiency in Recorder's Office operations. An increase in this ratio since implementation of SIRE systems would be a good indicator that automation has led to increased efficiency. Table 2 on the next page shows the total number of documents recorded each year from 1990 through 2005, though 1996 is the year when SIRE systems implementation started. Recordations were compared to employee staffing to arrive at total documents recorded per employee. Since the implementation of SIRE systems in 1996, documents per employee have steadily increased, from 4,363 in 1996

Documents processed per employee increased 25 percent and pages per document increased 68 percent from 1996 to 2005.

to 5,460 in 2005, an increase of over 1,097 documents per employee, or 25 percent. Also, the average number of pages per document has increased from 2.78 in 1996 to 4.67 in 2005, a 68 percent increase. Likewise, the total pages processed per year have increased from 813,142 to 1,560,908, or by 747,766 pages, an increase of 92 percent. Thus employees are not only recording more documents, but also documents containing more pages on average.

Recorder's Office Number of Documents Compared to FTEs 1990 to 2005						
Year	Documents	Pages Processed	Pages per Document	Actual FTEs (Year End)	Docs. Per FTE	Pages Per FTE
1990	141,557	285,926	2.02	50.00	2,831	5,719
1991	169,777	355,139	2.09	47.61	3,566	
1992	230,165	580,159	2.52	53.44	4,307	
1993	292,493	784,036	2.68	58.42	5,007	
1994	296,279	727,278	2.46	57.52	5,151	
1995	251,473	674,130	2.68	62.25	4,040	
1996	292,509	813,142	2.78	67.04	4,363	12,129
1997	287,631	846,037	2.94	77.06	3,733	
1998	381,438	1,128,272	2.96	81.06	4,706	
1999	336,908	894,828	2.66	76.25	4,418	
2000	244,695	718,541	2.94	63.50	3,853	
2001	317,214	1,259,449	3.97	59.50	5,331	
2002	371,196	1,526,471	4.11	63.75	5,823	
2003	458,213	2,014,722	4.40	68.25	6,714	29,520
2004	327,114	1,433,791	4.38	62.25	5,255	
2005	334,441	1,560,908	4.67	61.25	5,460	25,484

Table 2. The number of documents recorded per employee has increased since SIRE systems were implemented in 1996.

Figure 2, on the next page, is a representation of documents and pages recorded per employee. Trends in these ratios mirror those in total documents recorded per year and the increasing number of pages per document, a number influenced by many factors, but mainly re-financing of mortgages and growth in real estate markets. The highest number of recorded documents in a single year occurred in 2003, a year when interest rates hit a 40-year low of 5.23% in June 2003, which prompted many people to buy a home or to refinance existing mortgages. Fluctuations in documents and pages recorded per employee, as shown in Figure 2, are not only due to the number of documents recorded but to the increasing number of pages per document, reflecting more complex trust deeds, for example. Personnel management is not flexible enough to allow for lower staffing levels when documents decrease in number. However, the data would indicate that the Recorder's office has been able to process peak workloads, as during the 2003 peak, by hiring 9.75 temporary employees.

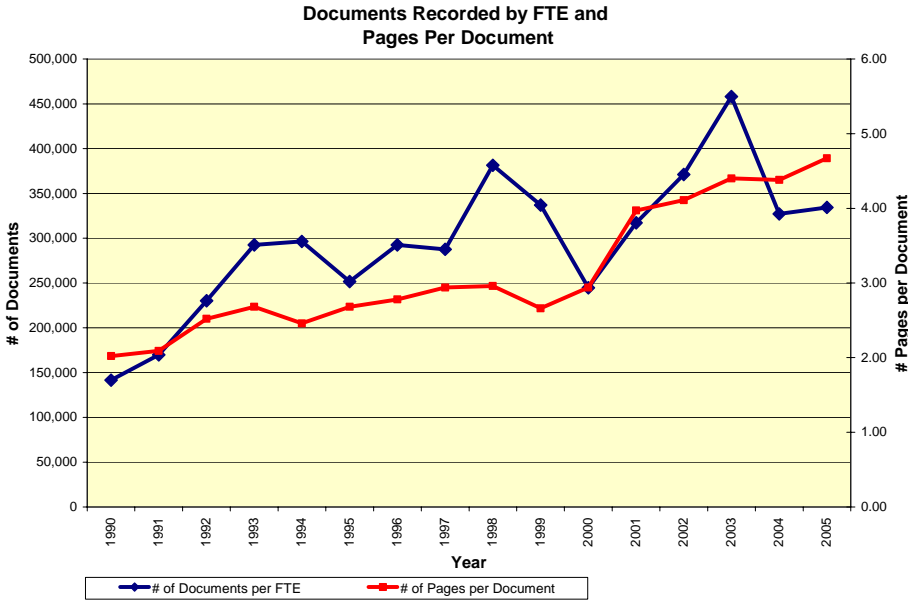
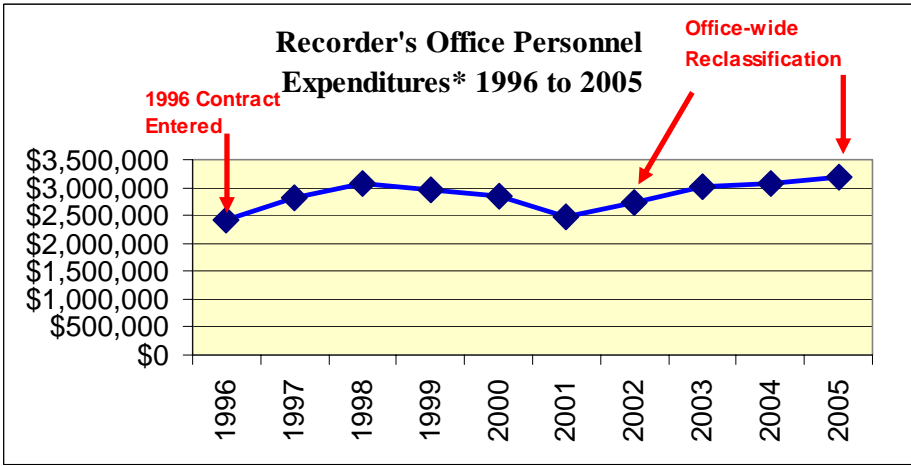


Figure 2. Documents recorded per FTE fluctuate with the total number of documents recorded.

Though recorded documents and pages processed per employee have increased, and total staffing levels have decreased, total employee costs have fluctuated since 1996. Figure 3 below shows that between 1998 and 2001 personnel expenditures decreased, followed by increases in 2002 through 2005. The sudden drop in 2001 coincided with a significant reduction that year of 10.25 actual regular FTEs (63 to 52.75).

Total employee costs in the Recorder's Office have risen slightly since 2001 due to merit raises and increased benefit costs.



*adjusted for inflation

Figure 3. Total employee costs in the Recorder's Office have risen slightly since 2001 due to merit increases, increased benefit costs, and reclassification.

Recorder's Office employee levels have slightly decreased since 2001, but total personnel costs have increased during this same period due to such factors as cost of living adjustments, merit increases and increases in health insurance costs, factors that, although not under the Recorder's control, have negated cost savings achieved through

nominal workforce reductions. There were also a number of employee reclassifications during the last quarter of 2002 and the first quarter of 2005. Overall, however, without the systems currently in place from SIRE, additional employees would be required to manually perform many tasks that are now automated, thus producing steeper personnel cost increases than illustrated in Figure 3. Thus, implementation of SIRE systems has resulted in lower incremental personnel costs, fewer full-time, regular employees with greater use of temporary employees, and improved process efficiencies as evidenced by a higher number of documents and pages per document processed per employee.

1.3 Efficiencies and effectiveness achieved through SIRE systems, and the justification for offsite replication have not been proactively presented to the County Council, resulting in the Council’s lack of understanding.

As a result of SIRE systems, tasks now require less time to complete and employees perform fewer data entry steps resulting in faster processing of documents.

As discussed in the previous section, measurable efficiency gains have resulted from implementation of SIRE systems. Moreover, recording of documents through the Recorder’s website is a much more accurate and effective interface for institutional clients. The Recorder’s Office has not proactively explained these significant improvements, along with the features, benefits, and potential wider application of SIRE systems to the County Council. This has resulted in a communication breakdown that has contributed to the Council’s misconception regarding the Recorder’s initiatives and objectives. Set forth below is an overview of Recorder functions that provides a basic understanding of the processes automated through the SIRE systems.

The Recorder’s Office deals with constant patron pressures to improve customer interface. The so-called “race to record” principle conveys title to the first party to record where competing parties may wish to assert their claim to the same property. This arises at times between builders and subcontractors or partners in a partnership dissolution. Thus, the Recorder’s Office performs a vital role in transferring property and accurately recording the time that a filing takes place.

The Recorder maintains the land record of the County, including parcels and parcel numbers, maps, documents and indexes that are tied to individual parcels, all of which forms an information base that traces property ownership history, including liens, back to the County’s founding in the mid-1800s. Thus, title and mortgage companies rely heavily on Recorder’s Office documents and indexes for researching property ownership and determining whether clear title exists. These land records had for decades been microfilmed manually. Digital scanning was implemented in 1997.

Recorder’s Office operations are divided into the following functions:

- Recording
- Imaging
- Abstracting
- Platting

SIRE systems have been applied to all of these functions except for platting. All parcels are assigned “Sidwell” numbers and included on a map of property

Countywide. The County purchased the parcel numbering system from the Sidwell Company in the early 1970's. It is used to uniquely identify each parcel by such coordinates as section and quarter section.

SIRE systems electronically image and retrieve documents. Scanned images using SIRE software replaced images on microfiche for researching property history and title. Images of recorded documents are now accessed by Recorder's Office employees and members of the public via the internet. Implementation of SIRE systems has resulted in a number of efficiencies in the Recorder's Office, including the following:

SIRE systems technology allows for informational data from the recorded document to be entered only once without re-entering this data at other stages of the process.

- Scanning documents electronically. Scanning and digitally storing documents is faster than microfilming. Scanned images require less storage space, and retrieval is easier than searching for microfiche, loading onto a reader, and then locating the desired document. Retrieving an image on the Internet is comparatively simple and documents viewed on computer screens are easier to read than microfiche images, reducing the potential for errors in data retrieval. Backup and offsite storage is also efficiently achieved.
- Entering data only once. SIRE technology allows data, such as name and address, to be entered only once. Once entered, data is populated in similar-type fields used for different functions throughout the SIRE relational database.
- Retrieving data and images through the Internet. The convenience of recording and retrieving data through the Internet provides multiple benefits. Mortgage and title companies and members of the public eliminate the costs and time in traveling to the Recorder's Office. Fewer customer visits reduce the interface of Recorder's staff and frees up time for other tasks.
- Assigning work through electronic workflow. Changes of property ownership are automatically transmitted to the platting section according to areas of the valley to which employees are assigned. Likewise, documents with "meets and bounds" descriptions require platting in the abstracting section. These functions are automatically assigned and transmitted to work stations, again, according to the section of the valley to which employees are assigned. This eliminates time formerly required to physically organize, retrieve, transport, and re-file hundreds of documents and supervisory time required in assigning workflow.

The efficiencies and effectiveness achieved are significant and save time, reduce tedium, and eliminate errors, thus enabling employees to improve their work product. In accomplishing these tasks, SIRE systems use various integrated software modules that perform different functions. Principle modules in this process are as follows:

- **CashPro** – software applied to the cash handling and recording functions at the recording desk. CashPro accounts for daily cash receipts, assigns entry numbers for recorded documents, applies the endorsement stamp to documents, and prompts entry of other basic information from the recording specialist.

- **Capture** – software applied to the document scanning process that combines images of several pages into a unified and complete document used for batch editing and auto indexing. Within this function is the following sub-module:
 - **Scan Pro** – a link that runs in the background between Cash Pro and Capture to update data entered at the recording/cashiering counter to the mainframe.
- **File Center** – software that is the core feature of SIRE systems and used for viewing images once they are in the database. It has a built-in **workflow** module that automatically assigns and distributes documents to the correct station or employee in abstracting or plating.

These and other modules are applied to operational areas of the Recorder’s Office, including recording, imaging and abstracting. Using SIRE software, Recorder’s Office employees add information at each of these areas as derived from the documents.

Recording

The official act of recording occurs when an endorsement stamp is imprinted on a document at the recording counter. Recorder’s Office employees, land record specialists, count and enter the number of pages and place the document in an endorsement printer. The SIRE printer imprints the date and time of the recording, the Recorder’s name, and a sequential entry number generated by the system. Features within SIRE systems that bring efficiencies and significant process controls to the recording counter include the following:

- Bar-coded cards issued to customers and drop-down boxes for automatic population of fields on the screen. The Recorder’s Office issues electronic cards to its institutional customers, including the top 70 mortgage companies. The card’s barcode strip contains identifier information including company name and address. A barcode reader automatically populates fields on workstation screens with information from the card. When documents are received through the mail, the specialist merely types the first few letters of the company name to cause the name to pop into a drop-down box. All customer fields are then automatically populated. Bar coding and drop-down lists have made data-entry more accurate, eliminating misspelled and duplicated names, and increasing document processing speed.
- Locked-out entry numbers for all but one recording counter specialist at a time. Sequential entry numbers imprinted on documents are available on-screen to only one recording specialist at a time. Other specialists are effectively “locked-out” to avoid duplicate numbering. Before SIRE systems, all specialists had access to the same entry numbers. Employees had to communicate well to prevent more than one specialist from recording at a time. This sometimes led to identical numbers being imprinted on separate documents, creating processing delays as new entry numbers were imprinted to replace duplicate entries. Employees consumed time to make these corrections. With SIRE, duplication is eliminated and specialists can enter name, address, and number of document pages, while waiting for entry

The official act of recording occurs when the endorsement stamp is imprinted on the document at the recording counter.

With SIRE, not only is duplication eliminated through the lock-out feature, but recording specialists are able to enter preparatory information as they wait for entry numbers to become available.

The system automatically tracks the amount that should be collected for each document according to the type of document and number of pages recorded.

Customers now can electronically record, or E-record, documents via Internet transmission.

numbers to become available, saving valuable minutes otherwise spent waiting for access to recording screens. “Lock-out” is a significant control feature not offered by other vendors, according to Recorder officials.

- Inserted or deleted entry numbers for documents erroneously counted. Each document in a stack is entered by type, e.g., “trust deed” or “warranty deed.” The system then automatically assigns an entry number. If the specialist discovers that the number of documents entered for processing is greater than the actual number presented, extraneous document entry lines are removed and all other documents and entry numbers are reordered sequentially. Likewise, a document not entered can be inserted at any point in the process, and the entry numbers for all documents already listed will be re-ordered sequentially. As an example, if a mortgage company presents 50 documents and the specialist has entered lines for 51 documents, the non-existing document can be deleted, and all other documents and entry numbers are automatically re-ordered eliminating the process of re-entering on all documents from the point at which the insertion or deletion occurred. This is likewise a strong process control feature.
- Grouped entry for sequences of identical page counts or payment amounts. If several documents are received that have the same number of pages, the page count can be entered in a single block. For example, the Recorder’s Office may receive 100 IRS liens of one page each. SIRE allows the page count (1) to be entered once and applied to all 100 documents. Likewise, identical payment amounts also can be entered once and applied to several documents.
- Automatically calculated charges. The system automatically calculates the amount to be charged based on the document type and number of pages. Previously, the specialist counted the number of pages of each document manually and computed the fee manually, resulting in calculation errors and additional wasted time. This feature increases accuracy and timing of charges and should translate to increased cash flow.
- Highlighted cash handling errors for day-end balancing reports. As noted above, the system automatically calculates the amount to be charged per document. If the cashier enters a charge different than computed, the transaction is highlighted on the balancing report at the end of the day significantly reducing time required for day-end balancing. Transactions are highlighted in “blue” if charges exceed system calculations, and in “red” if the charge is under, thus readily identifying errors. This is an excellent built-in control feature.
- Electronically transmitted documents for recording. Customers electronically record, or E-record, documents via internet transmission. *Simplifile*, a non-SIRE software product transmits scanned documents to the Recorder’s Office. The Recorder’s Office estimates that 45 percent to 65 percent of documents are E-recorded. This allows specialists to review electronically-transmitted documents and place the endorsement stamp while on-screen. Following recording, E-documents are processed the same as other documents, with the scanning process eliminated. E-recording also eliminates face-to-face

customer interaction, and mailing original documents to owners. Moreover, E-recording saves time and transportation costs. Salt Lake County has been in the forefront of E-recording nationwide as the legislature has passed laws to enable this technology. Other states have found themselves locked in legislative or judicial conflicts on this issue according to a September 24, 2002 article titled "Signed, Sealed and Electronically Delivered," in *Government Technology*.

Imaging

Recorded documents are put through a scanner that scans 80 pages per minute double-sided. The **Capture** software module, described previously, scans and batches the documents. Information from the cashiering module, **CashPro**, is linked to **Capture** through **ScanPro**. Efficiencies achieved at this point in the process are as follows:

SIRE systems automatically place book and page numbers on each scanned page, a significant improvement over previously hand-stamping these numbers on hard copy documents.

- Scanned documents are available for public view via the internet. Prior to SIRE systems, the Recorder's Office stored and catalogued hundreds of individual microfiche slips containing images of recorded documents used by patrons for search of property and title history. Specialists were also using microfiche for their own research purposes. Now, both groups have ready access to documents on-line. Documents recorded as far back as February 1985 can be viewed.
- Electronically imprinted book and page numbers are placed on documents. Book and page numbers are automatically recorded on each scanned page, eliminating hand-stamping numbers on hard copy documents. Hand-stamping was time-consuming, and more prone to human error. Each page of lengthy documents had to be individually stamped. With SIRE systems the process is efficient and quiet.
- Microfilmed images are produced electronically. A microfilm copy of scanned images is produced using a SIRE systems module called **Cache**. Images are automatically transmitted from the **Cache** server to a Kodak archive writer to produce the microfilm copy. Microfilm rolls are sent to State archives as required by statute.

Abstracting

The abstracting section produces a name and tract index from information found on recorded documents. Indexes allow researchers to enter a name, address, parcel number, or lot/block and section number to view "abstracts," the official property description of individual parcels. Among other information, indexes are established for the type of document, date recorded, names of first and second parties, and property description. A history of recorded documents related to each parcel is also available for review. Book and page numbers for locating images of recorded documents are referenced in the indexes.

Indexes are accessible by users through either the County's mainframe computer, or SIRE on-line systems. Mainframe indexes are available for recorded documents dating back to 1981. Prior to 1981, indexes were hand-written in large ledger books.

Processing of documents in the abstracting area has been reduced to a maximum of two days, a lag time that over 10 years ago averaged 39 days.

Mainframe indexes are not directly linked to document images. The SIRE data server does not store or maintain parcel histories or additional data in the mainframe, but sufficiently references documents for research purposes and has the advantage of directly linking to scanned document images, which is not the case with the mainframe indexes.

SIRE systems automates the process of document indexing, while the mainframe systems perform further data formatting through links with other tables in the tax system. Abstracting specialists enter information from recorded documents into required fields, some already populated. Specialists also review the lot number or property “meets and bounds” description to determine whether it fits the logic of existing maps and property descriptions. Specialists also review indexing data from the mainframe indexes and make corrections as necessary. Corrections are updated to SIRE systems each day.

Specific ways in which SIRE systems have improved the abstracting process are as follows:

- Completing the abstracting process requires less time. Document processing has been reduced to a maximum of two days, a lag time that averaged 39 days prior to the implementation of SIRE systems according to Recorder’s Office officials. Most documents are indexed by 11:00 a.m. each day. The “plating” or verification of “meets and bounds” property descriptions sometimes requires an extra day. However, plating, or outlining the property description on a plat map, is an entirely manual process that at this point has not been automated.
- Viewing documents on screen. Specialists in the abstracting section view scanned document images on their individual PCs. A split-screen view allows them to see both the document and the index fields for entering information. Formerly, employees manually entered information from a hard copy document, requiring a coordinated effort to distribute stacks of papers among various employees. SIRE’s workflow feature automatically assigns and transmits document images to specialists work stations where property descriptions are plated.
- Optical Character Recognition. Optical Character Recognition (OCR) software converts scanned characters to a word processing format to allow additions or deletions. OCR software is being developed to automatically extract information from scanned documents and populate the corresponding index fields.

Efficiencies achieved since the implementation of the SIRE systems have not been well-communicated to the County Council. The Recorder admits reluctance to take this step because he has assumed that the Council would not be attentive or responsive. However, we have concluded that the significant technology advancements of the SIRE systems warrant attention from the Council, and would not presume reluctance on their part to understand these efficiencies. The Recorder’s Office should arrange for personnel from SIRE to brief the Council and explain the features, benefits, and potential wider use of their software systems. The Council should be aware of these technological improvements in their policy making and budgetary approval roles.

The County's Information Services Division (I/S) was unaware of many fundamental aspects of SIRE systems architecture, configuration and data flow.

1.4 RECOMMENDATIONS:

1.4.1 We recommend that the Recorder's Office brief the County Council on their system improvements through the use of SIRE systems software.

1.4.2 We recommend that the Recorder's Office arrange for SIRE Technologies personnel to brief the Council on the features, benefits, and potential wider use of SIRE software.

1.5 SIRE systems architecture and configuration were not adequately explained to the County's Information Services Division (I/S), and reasoning for co-location was not sufficiently outlined to I/S or the County Council.

The County's Information Services Division (I/S) was unaware of some fundamental aspects of SIRE systems architecture, configuration and data flow. The Recorder has statutory authority to preserve and make available recorded documents to the public in the manner he so chooses. I/S has a major role and responsibility for County information system and technology and serves as the administrator of major software systems, including the tax system. As such, I/S should be kept abreast of changes and enhancements to Recorder's Office systems, and also the flow of data between various servers, storage and backup units. Under the 1996 Contract, Section 2, paragraph B, the services of SIRE are subject to review by County I/S. Recorder's Office hardware and software systems are found at the following three locations:

- Recorder's Office
- County I/S Division
- Co-location site in Lindon, Utah

A discussion of these three locations and the flow of data between each are discussed in the sections that follow. In addition, a flowchart showing the integration of SIRE systems is included as Appendix J.

Recorder's Office

Recorder's Office software applications including SIRE systems reside on servers within the Recorder's Office, not on servers or the mainframe computer in the County's I/S Division. Though nine servers are operational, two Dell SQL servers provide basic functionality to the Recorder's Office—the RePlatinum W3S, where CashPro resides, and ReSIRE W2S, where the SIREPro service and other SIRE modules reside. As noted in previous sections, CashPro is used at the recording counter for entering preliminary information, imprinting the endorsement stamp and performing cashing functions. Other SIRE systems, such as Capture, are used in imaging and abstracting.

Data entered at the recording counter is routed to both a server in the Recorder's Office and the mainframe in I/S. The mainframe data is initially marked by a recording entry number which serves as a flag indicating that additional indexing information will be routed from the imaging and abstracting areas. Eventually all indexing information is saved on both SIRE systems servers in the Recorder's Office

and the mainframe in I/S. However, scanned or E-record document images are saved on a Dell Network Attached Storage (NAS) unit in the Recorder's Office. These images are not saved on the mainframe, although I/S does backup these images on tapes.

I/S Division

The mainframe performs additional operations and calculations on indexing data, including integration of data from other tables. Newly calculated data is included in SIRE systems by a weekly update from the mainframe's VAST AD file, containing property valuation information. As already mentioned, corrections that employees make to index data on the mainframe are updated each night in SIRE systems.

The Recorder's Office replicates its SIRE system software and stores all document images and data generated within SIRE on equipment in Lindon.

The SHARK, a storage unit linked to the mainframe and all servers in I/S, stores Recorder's indexing information, but no document images. However, a Tivoli Storage Manager (TSM) backs up all I/S systems and servers, including those remotely located throughout the county. Thus, the document images stored on the Recorder's server are backed up. Back-up tapes are taken to a hardened, off-site location once each week. An initiative is underway to have backups completed and transported nightly according to the Associate Director in I/S.

Co-location in Lindon, UT

The co-location facility in Lindon is a sophisticated, state-of-the art, data center shared by many companies and organizations, including the Salt Lake County Recorder's Office. SIRE leases a portion of the Lindon facility from this co-location host facility, a company that has additional co-location sites throughout the western United States. Co-location centers provide off-site data replication and storage, increased bandwidth to web users, and "live" access to data. Thus, Recorder's data is accessible from SIRE systems servers at the site that replicates the data housed in the Recorder's Office.

The replicated SIRE system receives and stores all document images and data processed and updated by SIRE systems in the Recorder's Office and on the mainframe. Internet access to document images is now available through the Lindon site. SIRE systems hardware is stored in a separately secured metal cabinet in a large dry-room where other companies' hardware is similarly secured. Servers at the Lindon site are updated nightly with new document images and indexing data from Recorder's Office servers. Approximately 20 million images representing 1.8 terabytes of data are on the storage units in Lindon. Backup tapes are created on a robust tape library and stored off-site on a rotational basis.

The Lindon facility, designed as a data center to withstand a magnitude 7 earthquake, has four uninterrupted power supplies (UPS), battery powered UPS backup systems, and a 1,500 kilowatt Cummins diesel generator with a 6,000 gallon fuel tank estimated to keep the generator running for a week and a half. The battery room has positive air pressure to force out any battery gases that could cause an explosion. Two-and-a-half-foot thick walls separate each of the rooms where storage units and backup power equipment are located. Optic fiber enters the facility on three different T-1 communication lines. The data center has raised floors typical of most computer

centers, 140-ton capacity HVAC, and a controlled-access door that opens only after employees submit to a biometric hand scan.

The Lindon site has sometimes been inaccurately compared to the hardened, offsite storage facilities used by County I/S. However, the Lindon offsite facility serves a much broader set of functions. These functions are outlined below:

Data generated on SIRE systems in the Recorder's Office is duplicated at the Lindon site and updated each night from data transmitted from the Recorder's Office.

- **Internet Security.** Dedicated Internet access to Recorder's documents and data is available through servers at the Lindon site, unlike the Internet port to the County's I/S Division which could possibly subject Recorder and certain County data to risks from outside intruders, including hackers who could compromise or corrupt sensitive tax administration data. Also, the Recorder is exploring an initiative whereby mortgage companies will be able to use a "spider" module to easily compile any incremental data on property records. This feature would allow significant access to Recorder data, which, if allowed Internet access to the County mainframe, could further subject Recorder and Tax Administration data to risk of unauthorized access, if users were coming in through I/S data lines.
- **Redundancy.** Data generated on SIRE systems in the Recorder's Office is updated and transmitted to the Lindon site each night from data coming from the I/S mainframe through the Recorder's Office. This process provides a nearly real-time replication and accessibility of data. Redundant storage of document images is accomplished in several ways, including the following:
 - Recorder's Office servers/Network Access Storage (NAS)
 - CD ROM Microfilm sent to State Archives
 - I/S duplicate storage using Tivoli Storage Manager (TSM)
 - Lindon off-site storage units
 - Lindon tape backup library
 - I/S tape back-up library
- **Disaster Recovery.** Off-site co-location of data and systems is an increasingly popular best practice in today's business world as companies look for ways to protect data from the effects of disaster. Urgency to achieve offsite redundancy was heightened by the 9/11 attack which shut down the New York Stock Exchange for nearly a week. The Recorder has asserted that redundant data and systems in Lindon would allow his office to be operational the next day following a disaster, if operational PCs and scanners were to be available to access the offsite systems. Though the Lindon facility has the systems and data to continue operations, equipment to serve the public in recording and scanning documents would be needed if the equipment in the Recorder's Office was destroyed. Though the co-location host facility has a building in the Salt Lake area, the Lindon site was chosen because its location was deemed sufficiently distant to isolate it from most disasters that might occur in Salt Lake, such as an earthquake. The Lindon site is 37 miles from the Recorder's Office in the Salt Lake County Government Center.
- **Internet band width.** Recorder's Office officials have complained that I/S has at critical times had insufficient bandwidth to provide customers with reliable service for accessing scanned images. Prior to co-locating in Lindon,

Speed and reliability have increased since access to documents has been routed through the Lindon site.

images were accessed through I/S servers. The officials stated that occasional down time due to insufficient band width was an inconvenience to customers, and that speed and reliability have increased since access to documents has been routed directly through the Lindon site. I/S countered that they can and have expanded band width at any time that an organization so requested, and has done so in recent months for the Recorder.

I/S personnel have not been receptive to the above justification for an off-site co-location. I/S maintains that non-recorder County data could not be compromised or corrupted by Internet access to Recorder data and documents through the I/S mainframe, and that I/S has a power backup system that meets or exceeds industry standards. Our tour of the County's UPS system, dry-cell batteries backup, and three diesel generators demonstrated to us that County hardware and systems are secure and well-supported to handle the needs of the Recorder's Office, including storage of and access to scanned images through the Internet.

Justification for co-locating in Lindon is grounded in the best practices of organizations worldwide establishing operations at off-site data centers, and in the Recorder's statutory power to store and provide access to records in the manner he so chooses. Therefore, co-locating to the Lindon facility was a reasonable, prudent management decision even measured against the Recorder's lack of initiative to share and sell his vision to County I/S and the County Council.

1.6 RECOMMENDATION:

1.6.1 We recommend that the Recorder's Office be proactive and transparent with the County Council and I/S concerning its data management plans and computer equipment purchases through a bi-annual presentation.

2.0 The Contracting Process

As covered previously, a contract was established between the Recorder's Office and SIRE on December 16, 1996 (1996 Contract). The 1996 Contract stated that SIRE would provide software, equipment, and related services to develop, install, and maintain an EDMS/imaging, information, and workflow system. During our review of the contract and interviews with personnel in the Recorder's Office, District Attorney's Office, and Contracts and Procurement (C&P), we found the following:

- **The District Attorney's Civil Division determined after extensive review during July 2004 that at least 11 prior "changes to scope of work" were entered into between 1997 and 2004, 10 by informal amendment, and only one by written amendment, as required by the 1996 Contract.**
- **Notwithstanding the 1996 Contract requirements, scope changes to the contract which exceeded \$10,000 should have been competitively bid, unless one of 11 exceptions applied.**

- **The provisions of formal Amendment #12, prepared in August 2004, were subsequently ignored or misapplied by the Recorder’s Fiscal Manager and the Contracts Manager when processing SIRE’s September 24, 2004 Quote Proposal.**
- **The Contracts and Procurement Division Director was primarily responsible to interpret and apply the requirements of the 1996 Contract, including changes requiring amendments.**
- **The Debt Review Committee (DRC) was not given opportunity to fulfill its duty to review all proposed debt issuance with a repayment schedule extending beyond the current fiscal year.**

2.1 The District Attorney’s Civil Division determined after extensive review during July 2004 that at least 11 prior “changes to scope of work” were entered into between 1997 and 2004, 10 by informal amendment, and only one by written amendment, as required by the 1996 contract.

Changes may be made to the original contract if a written amendment is completed and the Mayor approves.

The 1996 Contract, Section 4, “Changes to Scope of Work,” Paragraph A, states, “County may at any time by written order, make changes within the general scope of this Agreement, and in the services or work to be performed. If after the first year of this Agreement, when the system is fully and successfully operational, changes not contemplated in Attachment A, B, or C are requested by the County which cause an increase in ANS’ cost or time required for performance of any services under this Agreement, an equitable adjustment shall be made and this agreement shall be modified in writing accordingly.” Paragraph B, of the same section, goes on to state, “All change orders or amendments to this Agreement must be approved by a vote of the County Commission, taken in a regularly scheduled and constituted public meeting” (See Appendix A). (With the change in form of government, contracts are submitted to the Mayor for approval).

Provisions of Section 4 of the contract were largely misunderstood, ignored or at best haphazardly applied by the Recorder and by C&P in most instances between 1997 and 2004. However, there were two instances in which Section 4 of the contract was followed. Table 3 on the next page summarizes the instances in which written amendments were completed.

Amendments to SIRE 1996 Contract			
Amendment	Date	Modification	Amount
1	12/13/2000	Programming and consulting to accommodate filing electronic signatures over the internet	\$14,963
12	7/26/2004	Programming of Optical Character Recognition (OCR)	\$42,900

Table 3. Two official amendments have been completed for the 1996 Contract.

In 2000, the Contracts Manager understood the Section 4 requirement for amending the contract. In a letter dated October 31, 2000 (See Appendix K), from the Contracts Manager to the District Attorney (DA), the Contracts Manager quotes Section 4, “*that after the first year, changes will be made in writing.*” As a result, Amendment #1 was completed by the DA’s office for programming and consulting to accommodate filing electronic signatures over the Internet.

Likewise, on July 13, 2004, after informally amending the scope and cost of the 1996 Contract 10 separate times, over 8 years, the Recorder’s Fiscal Manager sent a letter to the DA (See Appendix B) with the following justification for amending the scope of the 1996 Contract:

- “SIRE has developed its own module for imaging software
- The Recorder is in dire need of programming to enable “optical character recognition” (OCR)
- The Recorder is in need of support in its transition from UNIX to Microsoft platform per County I/S”

The DA determined that between 1997 and July 2004, the original base agreement had been modified 10 times without written amendments.

The change in scope and the cost of this initiative was well within the range of other initiatives previously and mistakenly undertaken by the Recorder with SIRE with no formal contract amendment, and without consultation with the DA’s office. However, in a departure from prior practice and as a result of the July 13, 2004, letter, the DA undertook a review and determined that between 1997 and July 2004, the 1996 Contract had been modified and informally amended by 10 separate software maintenance agreements and other modifications through invoices and quote proposals submitted by SIRE without formally amending the contract (See Appendix C). As a result, the DA concluded that to get back in compliance with the 1996 Contract, a written amendment needed to be prepared and designated as Amendment #12.

Amendment #12 contained three main provisions: 1) the optical character recognition project, 2) a 5-year extension of annual maintenance, and 3) language regarding future upgrades and modifications. The latter provision of Amendment #12 retained the requirement of the 1996 Contract that future modifications were to be made by written bilateral contract.

To provide some context from which the DA concluded that formal amendment #12 was required, Table 4 below lists the 10 “changes in scope” that the DA determined should have been recognized as requiring written amendments to the contract.

“Scope Changes” to 1996 SIRE Contract Identified by the DA’s Office			
Scope Change	Date	Modification	Amount
1	07/31/1997	Purchase, installation, integration, and maintenance for Wisdom server software for POLARIS system	\$24,450
2	10/16/1998	Annual software maintenance agreement for the EDMS	\$8,850
3	11/27/1998	Annual software maintenance agreement for the imaging server core for the EDMS	\$8,975
4	7/19/1999	Annual software maintenance agreement for the CashPro Cashier Application Software	\$5,876
5	02/07/2000	Purchase additional software and programming for electronic signatures and cashier set-up on the mainframe	\$36,750
6	04/10/2001	Conversion fee for moving images from a former storage system to a new storage system	\$5,295
7	08/13/2001	Annual software assurance for electronic cashier and e-record	\$12,000
8	12/20/2001	Programming for compliance with Countywide Policy #1062	\$1,990
9	10/31/2002	Server migration, SIRE set-up on abstract books, install and train, forms software package	\$12,900
10	07/23/2003	Programming for SIRE capture, certification stamp, technical service on Sunrise scanner	\$3,522

Table 4. *The DA determined that 10 “changes in scope” occurred to the 1996 Contract without a written amendment to the contract.*

Salt Lake County Ordinance Title 3, Chapter 3.28.040, states that a bilateral contract is required whenever goods, services, or consultant services exceed \$10,000. Some of the changes in scope shown in Table 4 are below the \$10,000 threshold. However, because of the specific language in the 1996 Contract, written amendments were required for changes in scope, regardless of the dollar magnitude of the change. Thus, the DA concluded that 10 prior formal amendments should have been prepared.

Section 4.1 covers the numerous changes in scope of the contract and related payments. We conclude on page 54 that there were an additional six changes to scope not identified by the DA due to lack of documentation in the files of Contracts and Procurement.

2.2 RECOMMENDATION:

2.2.1 *We recommend that future “changes in scope” to the 1996 Contract be written as a bilateral contract amendment.*

2.3 Notwithstanding the 1996 Contract requirements, scope changes to the contract which exceeded \$10,000 should have been competitively bid, unless one of 11 exceptions applied.

Under applicable County ordinance, contracts over \$10,000 for labor, materials or services, or for purchase, lease, or sale of personal property, materials, equipment or supplies must be competitively bid, with 11 exceptions. The 3 exceptions outlined in County Ordinance 3.20.030 appropriate to the facts and circumstances surrounding the 1996 Contract are as follows:

- The need for standardization of equipment and interchangeability and integration of goods and services was determined by the Purchasing Agent, in consultation with technical experts, and was necessary in the public interest. (*Standardization*)
- The product, service, or consultant can be procured from only one source, manufacturer or distributor. (*Sole Source*)
- The Mayor, on recommendation of the Purchasing Agent, determines the contract or purchase order to be by its nature, not adapted to award by competitive bid. (*Mayor’s Override*)

In 1996, when the contract originated, the EDMS system was competitively bid and SIRE won the contract.

From 1997 through much of 2000, the Recorder’s Office prefaced their requests for funding for upgrades from SIRE, without reference to Section 4 of the 1996 Contract provisions, but based on the “sole source” exception to competitive bidding listed in the second bullet point cited above.

When the 1996 Contract was awarded, the EDMS system was competitively bid and SIRE won the contract. SIRE was operating as a value-added reseller (VAR) of EDMS software developed by other companies. From 1996 to 2000, SIRE developed their own proprietary EDMS modules, SIRE Technologies, and the Recorder acquired and integrated these modules. However, SIRE has never been the “sole source” of EDMS technology, and it has many competitors today. As SIRE modifications occurred, the need for “standardization” of equipment and interchangeability and integration of goods and services would have been the most logical exception to apply of the three cited above.

Perhaps an argument could be made that SIRE is now the “sole source” for providing software maintenance and licensing because of SIRE’s proprietary software coding and documentation. However, in terms of upgrades to the SIRE EDMS modules, the “standardization” exception is more appropriate. The justification again being that over the years SIRE transitioned from a VAR of EDMS software to a proprietary vendor of their own product. Ultimately, the Contracts and Procurement Director and the Contract Manager were responsible for compliance with the contracting and purchasing ordinance, and the exceptions to the competitive bidding.

2.4 RECOMMENDATION:

2.4.1 We recommend that the Recorder’s Office with the assistance of Contracts and Procurement and the DA determine whether future scope changes meet the “sole source” or “standardization” exceptions to override the need for competitive bidding.

2.5 The provisions of formal Amendment #12, prepared in August 2004, were subsequently ignored or misapplied by the Recorder’s Fiscal Manager and the Contracts Manager when processing SIRE’s September 24, 2004 Quote Proposal.

The key provisions of Amendment #12 allowed for the following:

- Ongoing maintenance and support to be automatically renewed yearly, including: maintenance of the existing system as needed or requested to maintain the system in good operating condition.
- Additional upgrades or new software and programming which:
 - Benefit the existing operating system
 - SIRE provides advance notification
 - The County determines to be in its best interests
 - Require further amendment to the 1996 Contract, by written bilateral contract

The Recorder’s Office received a quote proposal from SIRE dated September 24, 2004, approximately six weeks after Amendment #12 was approved (See Appendix D). The quote proposal included the following three major undertakings by SIRE over three years, with a first year cost of \$207,750, and a total cost of \$437,750:

SIRE September 24, 2004 Quote Proposal		
Item #	Description	Cost
1	Hardware located at co-location host facility:	\$51,000
	• Web Server	
	• Application Server	
	• Database Server	
2	Hosting service at co-location host facility:	\$26,400
	• 5 MB burstable to 10 MB redundant access	
	• 24-7 support, security to equipment	
	• Rack space	
	• Redundant power	
3	Website Development:	\$130,350
	• Modifications specified by the County to current web pages	
	• New applications to replace existing IBM emulator for main frame data access	
	• Database schema design for mainframe data import	
	• Remoting xml transfer of local scanned data to hosting location	
	• Remoting xml transfer of main frame data to hosting location working with County on data export from mainframe	
	• SIRE software applications, maintenance of the site, administer and support the site	
	Total	\$207,750

The September 2004 quote proposal moved forward without a written amendment.

Table 5. *The September 24, 2004 Quote Proposal was a major undertaking in scope and cost.*

Nonetheless, the Contracts Manager in the Contracts and Procurement Division and the Recorder's Fiscal Manager proceeded processing this proposal as though the work performed by the DA's Office only six weeks prior had never happened. Our review, which included interviews with the DA's Office key personnel and review of work dockets and logs, concluded that this major undertaking was never referred to the DA. This lack of action by the Contract Manager and the Recorder's Fiscal Manager reflected ignorance or disregard for the work done by the DA that resulted in Amendment #12.

Surprisingly, the Contracts Manager and Recorder Fiscal Manager relied on the language used in letters to justify the 10 prior informal amendments and the "sole source" justification. Thus, when the December 2004 request for payment on the SIRE

September 24, 2004 Quote Proposal was processed through the Contracts Manager, with a cost of \$207,750, the request was approved and forwarded through other approval offices to the Mayor. The proposal moved forward without a written amendment. Since the 1996 Contract and Amendment #12 require “changes in scope” be in writing, an Amendment #13 should have been drafted.

In the letter to the Mayor requesting approval of payment, prepared by the Recorder’s Fiscal Manager, dated December 7, 2004 (See Appendix G), no reference was made to Amendment #12, or the enclosed September 24, 2004 Quote Proposal and its attachment, all of which would have brought to the attention of a reviewer the magnitude of the change of scope, and may have resulted in referral to the DA for a written amendment to the contract.

Major uncertainties and unresolved issues remain in the absence of a written amendment encompassing all elements of the September 24, 2004, Quote Proposal. The source of the uncertainties is a document attached to the quote proposal, entitled “Project Assumptions and Discussion,” (See Appendix E) which included the following expansions of the scope and cost of the undertaking:

- A three-year lease of substantial hardware located at the co-location host facility. The Recorder was not aware that the equipment lease was between SIRE and a national computer hardware vendor. It remains unclear which organization, the County, SIRE, or the national computer hardware vendor will own the equipment when the three-year lease ends.
- A three-year lease of the co-location host facility to provide redundant data storage/backup capability. The document did not make it clear that the three-year lease of this facility was between SIRE and the co-location host facility, and does not directly involve the County.
- Development of an offsite web access to the Recorder’s data, and replication of the entire suite of SIRE applications to which users would have access in the event of a disaster.
- Additional future payments of \$95,000 in 2006, \$90,000 in 2007, and \$45,000 in 2008 totaling, \$230,000.

An additional written amendment is needed to detail the “changes in scope” that have occurred as a result of the September 24, 2004 Quote Proposal.

Thus, the Recorder ventured into a 3-year commitment for expenditures of \$437,750, not including maintenance, without a written agreement on terms and conditions, and duties and responsibilities of the parties. A written amendment is needed to detail the “changes in scope” currently in place and contemplated over the next three years, as a result of the September 24, 2004, Quote Proposal. With participation from SIRE, the Recorder, Contracts & Procurement, and the DA, this amendment should address the concerns and unresolved issues outlined above.

2.6 RECOMMENDATION:

2.6.1 *We recommend that the DA draft an amendment that addresses the “changes in scope” that have occurred and are contemplated as a result of the SIRE September 24, 2004 Quote Proposal.*

2.7 The Contracts and Procurement Division Director was primarily responsible to interpret and apply the requirements of the 1996 Contract, including changes requiring amendments.

The C&P Division Director (C&P Director) is the contracting gatekeeper for the County and County Ordinance Chapter 3.16 requires that he:

- Shall be the purchasing agent of the County
- Shall perform or direct performance of all duties required by Chapter 3.16 of Salt Lake County Ordinance
- Shall act as the sole agent in contracting for labor, materials, or service and the purchase, lease or sale of personal property materials and equipment

All of these duties are performed by the C&P Director with the additional provision that all contracts must be submitted to the Mayor for approval and ratification, except those requiring approval and execution by the governing body, which is the County Council.

As previously discussed, the 1996 Contract, was competitively bid and awarded to SIRE for the Recorder's EDMS. However, as "changes in scope" occurred, the Recorder typically characterized SIRE as being the "sole source" provider for the system. Likewise, the Recorder and his Fiscal Manager disregarded Section 4 of the 1996 Contract.

The Contracts Division Director should ensure that all aspects of the business transaction are fully resolved.

When the September 24, 2004 Quote Proposal came along with the major changes in scope, the C&P Director should have ensured that the following occurred, as stated in County Ordinance 3.20.030, if the contract was not to be rebid:

- *“All aspects of the business transaction were fully resolved, to include price, delivery date, delivery terms, acceptance period, warranties, funding terms, and such other terms and conditions, as appropriate.”* Numerous aspects of the September 24, 2004 Quote Proposal, including the leases, use of an off-site facility, expansion of data storage/back-up capability, development of off-site web access, and replication of the SIRE system deserved scrutiny from the C&P Director. This scrutiny did not occur and as a result a formal written amendment setting forth all aspects of the business transaction was not prepared.
- *“The file reflects the price or cost analysis or such other evidence of reasonable pricing and other information concerning contract or award matters as will reasonably support the award of the contract to the vendor.”* The file for the 1996 Contract located in C&P did not contain any documentation of a reasonable pricing analysis regarding any aspects of the September 24, 2004 Quote Proposal. The C&P Director also indicated that there was no other documentation available or archived that would support the required analysis.

- “All files relating to the award of a contract based upon a ‘sole source’ reflect why that vendor or consultant is the only source of supply for the item, why that particular item is required.” Again, the file for the 1996 Contract located in C&P did not contain any analysis that justified SIRE as the “sole source” of the services and goods to be provided under the September 24, 2004 Quote Proposal.
- “Prior to the submission of a bilateral contract to the mayor for execution, the contract shall be reviewed and approved by the organization acquiring the personal property or services, and by such other agencies as may be specified by ordinance, or by purchasing policies, or at the request of the purchasing agent, and approved as to form by the attorney.” As mentioned before, due to the lack of scrutiny by C&P, a formal written amendment was not prepared and forwarded for review, processing, and execution by the Mayor.

Furthermore, County ordinance 3.28.040 requires a bilateral contract whenever the following acquisitions occur for an amount greater than \$10,000:

- Property is acquired by means of a lease, rental or installment purchase.
- Personal property is acquired where the exact quantity of goods, or the specific date when the goods will be needed are unknown.
- Services are acquired
- Consultants or consultive services are acquired

The September 24, 2004 Quote Proposal included property leases, and services valued well above the \$10,000 threshold. Thus, according to County Ordinance 3.28.020, the C&P Director was responsible to ensure that:

- A contract was prepared and drafted and approved by the DA’s office.
- The contract was reviewed and approved by the requisitioning organization.
- Certification was obtained from the elected official that funds were available prior to having the contract executed by the vendor.
- Certification was obtained from the Auditor’s Office as to the availability of funds.

County Ordinance 3.28.080, states, “All bilateral contracts and contract amendments in excess of \$10,000 shall reflect that they have been ‘approved as to form’ by the DA’s office prior to submission to the Mayor or Council for execution or ratification. ‘Approved as to form’, except as otherwise required by law, means only that the County may lawfully enter into the proposed contract, bid or proposal and that the proposed contract contains no illegal provisions. Authority to ‘approve as to form’ does not grant the authority to review the proposed agreement for reasonableness or marketability, nor to determine whether the proposed agreement represents good public policy, or is in the best interest of the county, or is the most cost effective transaction.”

The DA’s Office was not given the opportunity to prepare an amendment for the September 24, 2004 Quote Proposal because the Contracts Manager did not recognize or implement Amendment #12 requirements. Likewise, the Recorder’s Fiscal Manager reverted to pre-Amendment #12 approval language in her December 7, 2004

All bilateral contracts and contract amendments in excess of \$10,000 shall be “approved as to form” by the DA’s office.

letter requesting approval of payment rather than following the written amendment requirements. Both employees asserted that they should have recognized the need for a written amendment, and referred the matter to the DA's Office.

2.8 RECOMMENDATIONS:

2.8.1 *We recommend that the C&P Director update or establish internal policies to:*

- *Determine and document when exceptions to the County's competitive bidding policy apply, such as, the "standardization" and "sole source" justifications.*
- *Enforce the \$10,000 magnitude thresholds above which contract terms require amending.*
- *Carry out statutory authority and responsibility to ensure all aspects of the business transaction are fully resolved, to include price, delivery date, delivery terms, acceptance period, warranties, funding terms, and such other terms and conditions as are appropriate.*

2.8.2 *We recommend that the District Attorney's Civil Division and the Division of C&P develop and provide countywide policies, procedures and training focusing on internal processes and guidelines to be followed by contracting organizations with respect to:*

- *Understanding basic elements of a contract*
- *Responsibility for enforcing contract terms and procedures*
- *Changes in scope to basic terms requiring amendment or restatement*
- *Contracting process roles played by:*
 - *Contracts and Procurement Division*
 - *District Attorney Civil Division*
 - *Auditor Office Management and Budget Division*
 - *Mayor's Office*
 - *County Council*

2.9 **The Debt Review Committee (DRC) was not given opportunity to fulfill its duty to review all proposed debt issuance with a repayment schedule extending beyond the current fiscal year.**

As reviewed previously, the September 24, 2004 Quote Proposal included a three-year lease between a national computer hardware vendor and SIRE for a web server, database server, application server, a storage area network, and tape library. The proposal also included a three-year lease for rack space at the co-location host facility to store the equipment and serve as an off-site location, to which Recorder customers would have access in the event of a disaster. The September 24, 2004 Quote Proposal

County Ordinance requires that the DRC review all proposed debt issuance with a repayment schedule that extends beyond the current fiscal year.

called for a first year payment of \$207,750 due in the first half of 2005. Subsequent payments of \$95,000, \$90,000, and \$45,000 are required in 2006, 2007, and 2008, respectively.

County Ordinance 2.97 requires that the DRC review all proposed debt issuance with a repayment schedule that extends beyond the current fiscal year, including all multi-year capital asset borrowing. The purpose is to analyze debt issuance for financial suitability and viability, including, terms of issuance, length of issue, repayment schedule, and credit worthiness of the borrower. The principal duties of the committee are to assure prudent use of debt, protection of bond rating, and maximization of benefit to the County.

The DRC was not notified of the multi-year leases that were a part of the September 24, 2004 Quote Proposal. The Contracts Manager did not scrutinize the details of the September 24, 2004 Quote Proposal, including the attached "Project Assumptions and Discussion," to recognize that debt in the form of two, three-year leases, extending beyond 2004, was part of that proposal. Thus, the project was not referred by C&P to the County Capital Projects Committee or directly to the DRC. The Recorder and his Fiscal Manager were not aware of the powers, duties or oversight functions of the DRC. In addition, the capital acquisition provisions of the September 24, Quote Proposal were poorly communicated and not understood by the Council or Mayor's staff during the November 2004 Budget Hearings as previously noted.

County Ordinance is silent on the office or individual who has responsibility to notify the DRC of debt issuance or multi-year capital asset financing. Several offices were involved in reviewing the September 24, 2004 Quote Proposal including the Recorder, C&P, the Auditor, and the Acting Mayor. We recommend that the County Ordinance be amended to clearly place responsibility for referral of matters to the DRC.

Nonetheless, the Recorder has informally committed the County to payments beyond the initial \$207,750 totaling \$230,000 over the next three years without the review of the DRC and final approval by the County Council.

2.10 RECOMMENDATIONS:

2.10.1 We recommend that the Division Director of C&P institute internal policies to ensure that future financial obligation, beyond the current fiscal year, under a contract or contract amendment is referred to the County's Debt Review Committee.

2.10.2 We recommend that County Ordinance 2.97 be amended to add language as to whom, under what circumstances, and by what procedure the proposed issuance of multi-year financial obligations is referred to the DRC.

3.0 The Budgeting Process

All offices, agencies and departments, including the Council, prepare and submit a budget in sufficient detail, content and scope, to the Auditor and Mayor in accordance with the Uniform Fiscal Procedures Act. To determine whether the Recorder's Office was in compliance with these procedures in obtaining funding for the September 24, 2004 Quote Proposal, we conducted interviews and reviewed budget documentation and Budget Hearing meeting minutes.

During our review of the budget process we found the following:

- **The Recorder's Office followed Countywide policy when submitting an appropriation unit adjustment in October 2004 to make funding available for their offsite replication and website development initiative.**

3.1 The Recorder's Office followed Countywide policy when submitting an appropriation unit adjustment in October 2004 to make funding available for their offsite replication and website development initiative.

On October 26, 2004, the Recorder's Office submitted an "Appropriation Unit Adjustment" (See Appendix I) to the Auditor's Office in order to complete their book preservation project and to allow implementation of a new web server and data storage project. In accordance with Countywide Policy #1050, "Interim Budget Adjustments," the Recorder's Office requested the following:

- Transfer \$125,000 from General Fund, Organization 1150, Personnel Appropriation Unit 23, to General Fund, Organization 1150, Operations Appropriation Unit, 24.
- Transfer \$300,000 from Tax Administration Fund, Organization 1151, Personnel Appropriation Unit 506, to Tax Administration Fund, Organization 1151, Operations Appropriation Unit, 507.

Since the request was submitted just weeks prior to the November budget hearings, the adjustments were included in the year-end adjustments to be considered by the County Council. On November 16, 2004, according to the Clerk's audio recordings, while the Recorder's 2005 budget was being discussed, the Council Budget Analyst introduced a discussion about the \$300,000 appropriation unit adjustment as a "continuation of the bookbinding project." The Recorder continued with this characterization of the \$300,000 with the following statement to the Council, "exactly – this should be the finishing of our book restoration." The audio recording was truncated at that point and when recording continued the discussion had moved to a new topic. From our interview with participants and the hearing minutes we concluded that at least some Council members and other participants formed the impression that the \$300,000 was for the completion of the Recorder's bookbinding project that had extended over several years.

Our review of the audio recordings also lead us to conclude that the Recorder's intent to discuss both the book preservation project and funding to implement an off-site web server and data storage, never moved past book preservation. This subsequently contributed to the confusion of County Council members regarding the original justification for the approved year-end budget adjustment. The Recorder claims that he was not able to make a planned, full presentation to the County Council specifically detailing the funding of "web server and data storage" and its purpose, an assertion we could not independently validate.

Documents and budget workshop minutes filed with the Council Clerk confirmed that a unit appropriation adjustment was approved by the Council later in the session on November 16, 2004. The minutes (See Appendix L) on file show the following:

- General Fund, Organization 1150, "reduce personnel appropriation \$125,000, for Book Preservation Project"
- General Fund, Organization 1150, "increase operations appropriation \$125,000 for Book Preservation Project"
- Tax Administration Fund, Organization 1151, "reduce personnel appropriation \$300,000, for equipment purchase"
- Tax Administration Fund, Organization 1151, "increase capital appropriation for \$300,000 for web server and data storage"

The County Council approved the 2004 budget adjustments submitted by the Recorder.

The budget hearing minutes for November 16, 2004, confirm that, after review of each adjustment by the Council Fiscal Analyst, the Council unanimously approved the 2004 budget adjustments as recommended, with one exception related to an adjustment for Development Services.

The Council had an opportunity to revisit the purpose of the \$300,000 adjustment one week later, in the November 23, 2004, budget workshop session. The Tax Administration Fund Administrator proposed a fund balance transfer of \$400,000 from the Capital Projects Revolving Fund to the Tax Administration Fund to restore the Tax Administration Fund balance for one-time capital expenditures of the Surveyor, Assessor, and Recorder offices, \$300,000 of which was clearly shown on a Power-Point slide (See Appendix M) as the Recorder's expenditure for data storage capabilities.

Again, the Council discussion alluded back to the prior book preservation discussion and the Mayor's CAO briefly questioned what the web server and data storage was about. As in the prior budget workshop, the discussion was cut off by the Council and the fund balance transfer approved.

3.2 RECOMMENDATIONS:

3.2.1 We recommend that the Recorder continue to submit budget adjustments in accordance with Countywide Policy #1050 but with detailed descriptions and justification of future budget adjustments.

3.2.2 *We recommend that, in the future, the Recorder request sufficient time on the Council Agenda to present requests of the magnitude of an initiative to create an offsite web server and data replication and storage.*

3.2.3 *We recommend that the County Council allow sufficient time to ensure that budget adjustments are understood at the time of their approval.*

4.0 The Accounting Process

In addition to the policy and procedure issues focusing on written contract amendments and the budget process, our audit found issues with the way the Recorder's Fiscal Manager encumbered funds in the purchasing system, then made erroneous accounting entries misclassifying the equipment acquisitions and software expenditures related to the September 24, 2004 Quote Proposal.

During the timeframe of the SIRE contract, 1996 to 2006, the Recorder's Office had two Fiscal Managers. The first Fiscal Manager held the position both prior to the beginning of the contract in December 1996 then carried on until May 1999. The second Fiscal Manager was hired when the previous manager retired in May 1999, and currently holds the position.

During our examination of the Recorder's accounting processes, we found the following:

- **The Recorder's Office Fiscal Managers used the incorrect object codes repeatedly over the span of the contract with SIRE when encumbering the funds and paying invoices for transactions.**

4.1 The Recorder's Office Fiscal Managers used the incorrect object codes repeatedly over the span of the contract with SIRE when encumbering the funds and paying invoices for transactions.

Consistently and over an extended time period, the Recorder's Fiscal Manager assigned incorrect object codes to classify purchases of hardware and software from SIRE. Numerous software modules and items of equipment purchased between 1996 and 2006 were consistently, yet incorrectly coded to "Maintenance of Office Equipment, (Object Code 2470)" "Maintenance of Software, (Object Code 2485)" or "Other Professional Fees, (Object Code 2930)" instead of "Office Furniture, Fixtures, and Equipment (Capital Purchase Object Code 7410)."

Countywide Policy #1125, "Safeguarding Property/Assets," Section 1.1, states, "*Capitalization is the process of recording on the County's general ledger individual items having an estimated useful life of more than two years and a cost of which is equal to or greater than the current capitalization rate.*" The current County capitalization threshold for personal property is \$5,000. When capital assets are purchased, the intent is to record the transaction in the correct object code within a relevant appropriation unit. The cost of these assets is then written-off or depreciated

In many instances, the Recorder's Fiscal Manager did not assign the correct object codes to account for the purchases of hardware and software from SIRE.

To promote consistency, standardization and integrity of the financial reporting system, it is important that accounting transactions are recorded correctly.

over future periods to match the expense of the asset with the benefit derived from its use and estimated useful life.

Thus, it is important that accounting transactions are recorded correctly to achieve consistency and integrity within the financial reporting system. The County financial system, ADVANTAGE Financial (AFIN), provides a rational accounting structure to allow complex transactions to be properly distributed in the general ledger. To facilitate this accounting system “distribution” of expenditures, fiscal personnel use an object code; a 4-character code used to classify budget expenditures and accounting expenses. The object code is also referred to as the "line-item" number. This is also the elemental level of the accounting structure where budgeted appropriations are established and tracked.

The following section of the report details the transactions that have taken place between 1996 and 2006. The section highlights whether the transaction was recorded to the correct object code in AFIN, if the appropriate documents relating to the contract were on file in C&P, and whether the DA identified the transaction as a “change in scope.”

1996 Original Contract and Payments:

The initial charges under the 1996 Contract were paid as follows from Recorder Tax Administration Fund, Organization 1151:

1996 Contract and Initial Payment Summary								
Payment #	Transaction Date	Warrant #	Amount Paid	Fund & Org. #	Object Code	Object Code Correct in AFIN	Document on File in C&P	DA Treated as Informal Amend.
1	12/20/96	602074	\$86,811	340-1151	7410 2470	Y	Y	N
2	02/21/97	608656	\$65,108	340-1151	7410	Y	Y	N
3	08/25/97	640994	\$55,108	340-1151	7410	Y	Y	N
4	11/07/97	647835	\$10,000	340-1151	7410	Y	Y	N
		Total	\$217,027					

Table 6. *The original contract transactions were recorded to the correct object code.*

The invoice related to the 1996 Contract was on file in C&P and payments for the purchase coded to the capital account, object code 7410. These four payments became asset #95571, described as “Software/Optical Imaging System.”

An additional payment of \$50,340 was included on warrant #602074 dated December 20, 1996, expensed to object code 2470, “Maintenance of Office Equipment.”

The \$50,340 was for two years of maintenance on the system. We questioned why two years of maintenance were paid up front, but did not receive any solid explanation.

Contract and Payment Activity during 1997

The 1997 activity, excluding the payments discussed above, were paid from Recorder General Fund, Organization 1150 as follows:

1997 Payment Summary								
Payment #	Transaction Date	Warrant Number	Amount Paid	Fund & Org. #	Object Code	Object Code Correct in AFIN	Document on File in C&P	DA Treated as Informal Amend.
1	08/14/97	640007	\$24,450	110-1150	2470	N	N	Y
2	08/22/97	640711	\$3,790	110-1150	2419	N	N	N
3	12/19/97	652487	\$13,500	110-1150	2470	N	N	N
		Total	\$41,740					

Table 7. Additional transactions occurred in 1997 that were not recorded to the correct object code and were not on file with Contracts and Procurement.

On July 31, 1997, the Fiscal Manager in the Recorder's Office wrote a memo to C&P asking for an addendum to the 1996 Contract. SIRE had installed Wisdom software on July 1, 1997, for testing to allow internet subscribers to retrieve information from POLARIS without buying additional software. The software changed a TIFF file to a GIF file.

Our research of the 1996 Contract file in C&P for an addendum to the 1996 Contract came up empty. However, we did locate an invoice in the Recorder's Office in the amount of \$24,450, charging for the Wisdom software, installation, integration and annual maintenance.

All three payments in 1997 should have been made with capital funds and assigned to object code 7410.

The invoice was paid on August 14, 1997, and was incorrectly classified to object code 2470, Maintenance of Office Equipment, as shown in Table 7 above.

Payment 2 for \$3,790 was for a Scan-Pro Batch scan-indexing software module that included set-up and installation (2 @ \$1,895 each = \$3,790).

This transaction was incorrectly classified to object code 2419, Small Equipment.

Payment 3 for \$13,500 was for a SIRE/Altris Mainframe/CRISP custom program interface to the Internet providing access or retrieval of images from the CRISP database, without a manual toggle between the mainframe and the imaging database.

This transaction was incorrectly classified to object code 2470, Maintenance of Office Equipment.

All three of these payments should have been classified as capital asset expenditures and assigned to object code 7410, noting that the capitalization rate during this

timeframe was \$700. Software products qualify as capital purchases and the cost clearly warrants treatment as a capital purchase.

We also discovered that these 1997 purchases were paid from the General Fund, Organization 1150, however, the original contract was paid for from the Tax Administration Fund, Organization 1151.

Contract and Payment Activity during 1998

During 1998, transaction coding showed accuracy and marked improvement. In 1998, the payments were as follows:

1998 Payment Summary								
Payment #	Transaction Date	Warrant #	Amount Paid	Fund & Org. #	Object Code	Object Code Correct in AFIN	Document on file in C&P	DA Treated as Informal Amend.
1	09/29/98	682119	\$30,068	110-1150	7410	Y	N	N
2	05/01/98	665484	\$2,818	340-1151	2470	Y	N	N
3	05/12/98	666554	\$1,727	340-1151	2470	Y	N	N
4	05/12/98	666554	\$9,595	340-1151	7410	Y	N	N
5	05/12/98	666554	\$900	340-1151	7410	Y	N	N
6	10/20/98	683996	\$8,850	340-1151	2470	Y	Y	Y
		Total	\$53,958					

Table 8. All transactions that occurred during 1998 were assigned the correct object code.

Payment 1 for \$30,068, in September 1998, was from the Recorder General Fund, Organization 1150, object code 7410, for the cashier system. The cashier system was acquired through a purchase order and not by amendment to the 1996 Contract. We were unable to review the purchase order in C&P because it was destroyed under the County record retention policy.

This transaction was not discovered and identified as another informal contract amendment by the DA during the July 2004 contract review.

All payments that occurred during 1998 were assigned the correct object code.

Payment 2 for \$2,818 was for software maintenance for the WISDOM Server and the Batch Scan Index Stations for the period from July 1, 1998 to June 30, 1999. The maintenance was paid for from the Tax Administration Fund, Organization 1151, from object code 2470.

C&P did not have a maintenance agreement on file for this transaction and it was not identified as an informal amendment.

Payments 4 and 5 were for a Q-Star, HSM upgrade for the HP Jukebox costing \$9,595, and installation and integration with existing Q-Star management system software

costing \$900. These two payments were capitalized as the fifth component of Asset #95571. Payment 3 for \$1,727 was for the annual maintenance for the HSM-Q-Star Unix Optical Director software and was properly expensed to object code 2470.

C&P did not have any documentation on file for these transactions and they were not treated as informal amendments.

Payment 6 for \$8,850 was for the annual software maintenance for seat licenses in the 1996 Contract purchase, excluding the HSM-Q-Star Unix Optical Director software. C&P had on file an official maintenance agreement for the period November 1, 1998 to November 1, 1999, totaling \$8,850. The document contained signatures of the Director of C&P and a SIRE representative.

This payment was properly coded to object code 2470, and identified as an informal amendment by the DA.

Contract and Payment Activity during 1999

Again, the Fiscal Manager at the time was classifying equipment and software purchases correctly. In 1999, the payments were as follows:

1999 Payment Summary								
Payment #	Transaction Date	Warrant Number	Amount Paid	Fund & Org. #	Object Code	Object Code Correct in AFIN	Document on file in C&P	DA Treated as Informal Amend.
1	01/22/99	695728	\$30,068	110-1150	7410	Y	N	N
2	08/10/99	715023	\$15,034	110-1150	7410	Y	N	N
3	08/17/99	715671	\$5,876	110-1150	2470	Y	Y	Y
4	02/23/99	699220	\$9,144	340-1151	2470	Y	Y	Y
5	03/26/99	702412	\$8,975	340-1151	2470	Y	Y	Y
6	07/20/99	712931	\$2,250	340-1151	2470	Y	N	N
7	11/19/99	725090	\$1,638	340-1151	2415	Y	N/A	N/A
8	11/19/99	725090	\$779	340-1151	2415	Y	N/A	N/A
9	11/19/99	725090	\$375	340-1151	2415	Y	N/A	N/A
		Total	\$74,139					

Table 9. All transactions during 1999 were assigned the correct object code in AFIN.

Payments 1 and 2, from the Recorder General Fund, Organization 1150, were for remaining payments on the cashier system. As mentioned before, we were unable to review the purchase order in C&P because it was destroyed under the record retention rules.

In addition, these payments were not treated as informal amendments by the DA.

All transactions during 1999 were assigned the correct object code in AFIN.

Payment 3 for \$5,876 was for the annual maintenance on the cashier system. C&P had on file an official maintenance agreement for the cashier system for the period July 31, 1999, to July 30, 2000. The document contained signatures of the Director of C&P and a SIRE representative.

Payment 4 for \$9,144 was for the annual maintenance for the HSM-Q-Star Unix Optical Director Software and the Workflow Server Software Module for the time period December 9, 1998, through December 8, 1999. C&P had on file an official maintenance agreement. The document contained signatures of the Director of C&P and a SIRE representative.

Payment 5, for \$8,975, was for the annual software maintenance agreement for the Imaging Server Core for EDMS for the period December 1, 1998, to November 30, 1999. C&P had on file an official maintenance agreement. The document contained signatures of the Director of C&P and a SIRE representative.

Payment 6, for \$2,250, was for "Renewal of Assurance, WISDOM Server" from July 1, 1999, to July 1, 2000. This maintenance agreement was not on file in C&P. Furthermore, an official maintenance agreement with signatures of both parties was not available to examine at C&P or the Recorder's Office.

After this point in time we were unable to find any formal maintenance contracts.

Payments 7 to 9 were for three Epson printers (\$1,638), an Epson Slip printer (\$779), and SIRE service and set-up (\$375). These assets were purchased under a separate purchase order and were recorded in object code 2415, "Computer Equipment Less Than \$5,000." The capitalization rate during 1999 was \$3,000.

Documentation for these three transactions was not required in C&P, and they were not treated as informal amendments.

All payments during 1999 were recorded to the correct object code in the accounting system.

Contract and Payment Activity during 2000

In 2000, the payments were as follows:

We were unable to correlate the first payment for \$37,226 with an invoice or documentation in C&P.

2000 Payment Summary								
Payment #	Transaction Date	Warrant Number	Amount Paid	Fund & Org. #	Object Code	Object Code Correct in AFIN	Document on file in C&P	DA Treated as Informal Amend.
1	03/07/00	736887	\$37,226	340-1151	2470	Not Enough data	N	N
2	06/30/00	749729	\$27,750	340-1151	7410	Y	Y	Y
3	08/15/00	755785	\$9,000	110-1150	7410	Y	Y	Y
		Total	\$73,976					

Table 10. Two of the three documents were on file in C&P.

Invoices were not available to provide detail on payments 1 and 3 in the table above. C&P had a letter on file dated February 7, 2000, indicating that the County Commission approved an addition to the Contract between SIRE and Salt Lake County Recorder's Office for \$36,750 (\$27,750 + \$9,000), the total of payments 2 and 3. SIRE was to provide additional software and programming to enable acceptance of electronic signatures for accessing the Recordation Information System, as well as cashiering integration with the mainframe and the Oracle database.

With regard to Payment 2, the quote proposal included with the February 7, 2000, approval letter for this project indicated that of the \$27,750 total, \$9,000 was for an Altris Software API Tool Kit, and \$18,750 was for 200 hours of programming services. The \$27,750 was capitalized as the sixth component of Asset #95571. The total cost of Asset #95571 at this point was \$255,272.

There was not a formal contract amendment on file for the software and services totaling \$27,750, only the quote proposal. The DA did treat this payment as an informal amendment.

In addition, no invoice or quote proposal was attached with the documentation explaining what products or services the Recorder's Office would receive for the remaining \$9,000 (the difference between the Commission approval letter of \$36,750 and the quote proposal totaling \$27,750). Consulting fees for starting the Electronic Signature project was mentioned in the Commission approval letter of February 7, 2000, but without a specific amount. The AFIN system did indicate \$9,000 was paid for the "Electronic Signature Program."

As mentioned before, we were unable to correlate the first payment for \$37,226 with an invoice or documentation in C&P's files.

Contract and Payment Activity during 2001

Misclassification of purchases began cropping up during 2001. In 2001, the payments were as follows:

2001 Payment Summary								
Payment #	Transaction Date	Warrant Number	Amount Paid	Fund & Org. #	Object Code	Object Code Correct in AFIN	Document on file in C&P	DA Treated as Informal Amend.
1	01/26/01	774488	\$14,962	340-1151	7410	Y	Y	Amend#1
2	02/23/01	777671	\$35,179	340-1151	2470	Y	Y	N
3	06/08/01	788893	\$5,925	340-1151	2470	N	Y	Y
4	08/31/01	796778	\$499	340-1151	2330	Y	N/A	N/A
5	08/31/01	796778	\$499	340-1151	2330	Y	N/A	N/A
6	08/31/01	796779	\$12,000	340-1151	2470	Y	Y	Y
7	12/21/01	808072	\$1,990	340-1151	2470	Y	Y	Y
		Total	\$71,054					

Table 11. All transactions during 2001, except one, were assigned the correct object code in AFIN.

All transactions during 2001, except one, were assigned the correct object code in AFIN.

On December 11, 2000, the County Commission approved the first official amendment to the 1996 Contract. The amendment stated that SIRE agreed to provide additional programming and consulting services for the electronic filing of documents received over the internet for a total fee of \$14,962 (133 hours at \$112.50 per hour). As shown in the table above, the payment for the Electronic Signature project was made January 26, 2001, for \$14,962 and was capitalized to the correct object code.

Payment 2 for \$35,179 was for three items of annual maintenance/assurance: 1) EDMS modules (\$26,969), 2) cashier software (\$5,876), and 3) cashier hardware (\$2,334). The agreement covered March 1, 2001, through February 28, 2002.

It is interesting to note that the annual maintenance for the cashier system renewed for one year in July in previous years, thus there was a duplication of coverage from August 2001 through March 2002.

Starting in 2001, C&P did not have an official annual maintenance agreement on file with signatures from both parties.

Skipping ahead to payment 6, the \$12,000 was for maintenance of the electronic cashier system and interface support for e-record from August 6, 2001, through August 6, 2002. A letter dated January 24, 2001, was included in the C&P file indicating approval for annual maintenance for \$44,479. However, the maintenance components set forth above do not total this amount. A spreadsheet attached to the approval letter indicated that \$2,700 was subtracted from the \$47,179 for the Q-star Jukebox software. Subtracting the \$2,700 brings the maintenance components total down to the \$44,479. However, we discovered that \$47,179 was actually paid, the total of \$35,179 (Payment 2) and \$12,000 (Payment 6).

To add more confusion to the maintenance charges for 2001, a second approval letter dated August 13, 2001, was in the C&P file for \$12,000 with the same component descriptions as indicated above.

This appears to be a duplicate approval letter for the \$12,000 in payment 6. Although the approval letters and invoices provided documentation for these payments, C&P did not have an official maintenance agreement on file with signatures from both parties detailing the services to be provided. Payment 6 was treated as an informal amendment by the DA.

Payment 3 was for a conversion utility program \$3,000, and conversion services, \$2,925, for a total of \$5,925. C&P had a letter on file dated April 10, 2001, approving \$5,295 for a one-time conversion fee necessary to move images from the former storage system to the new storage system housed at County I/S. The amount that was approved was less than the amount actually spent by \$630. The approval letter was signed by the Recorder, Contract Manager, and an employee of the Mayor's Office.

This was treated as an informal amendment.

Payments 4 and 5, each for \$499, had no documentation to provide detail of the transactions. However, it appears from the object codes that the funds were spent on some training provided by SIRE.

A letter dated December 20, 2001, documenting payment 7, was included in the C&P file indicating approval of \$1,990 for additional programming to upgrade the EDMS to meet requirements of Countywide Policy 1062. The letter included signatures of the Recorder, Contracts Manager, and an employee of the Mayor's Office. The letter also had an invoice attached covering programming services.

This transaction was assigned the correct object code since it fell under the \$3,000 capitalization threshold, and was treated as an informal amendment.

Finally, all of the payments in 2001 were made from the Recorder Tax Administration Fund, 1151, under the 1996 Contract, even though the cashiering system was originally purchased in the Recorder General Fund 1150, and under a different purchase order number, RD8415P.

Contract and Payment Activity during 2002

The misclassification trend gained some momentum in 2002. During 2002, the payments were as follows:

2002 Payment Summary								
Payment #	Transaction Date	Warrant Number	Amount Paid	Fund & Org. #	Object Code	Object Code Correct in AFIN	Document on file in C&P	DA Treated as Informal Amend.
1	04/15/02	820165	\$39,651	340-1151	2470	Y	Y	N
2	08/12/02	833807	\$897	340-1151	2330	Y	N/A	N/A
3	10/17/02	840283	\$10,245	340-1151	2470	N	N	N
4	12/03/02	847226	\$12,900	340-1151	2470	N	Y	Y
		Total	\$63,693					

Two of the four payments made during 2002 were assigned the incorrect object code.

Table 12. *The payment for \$10,245 was not recorded in AFIN correctly and C&P did not have the appropriate documentation on file for the transaction.*

Payment 1 for \$39,651 was for maintenance of EDMS, \$26,969, and cashier software, \$5,876, for March 1, 2002, through February 28, 2003. The payment also included pro-rated software assurance for E-Cashier interfaces and SIRE 1st line support on E-Record, \$6,806, from August 6, 2002, though February 28, 2003. An approval letter signed by the Recorder, Contract Manager, Auditor's Office, and the Mayor's Office was on file. The attached invoice totaled \$41,985. However, cashiering hardware maintenance for \$2,334 was crossed out, reducing the invoice total to \$39,651.

Although the approval letter and invoices provided documentation of these payments, C&P did not have a formal maintenance agreement on file with signatures from both parties, indicating the services to be provided. This was not treated as an informal amendment by the DA.

Payment 2 for \$897 was a registration fee for the SIRE Roundtable. Three Recorder employees attended the conference. This transaction did not relate to the maintenance or upgrading the EDMS system, therefore, it was not necessary for C&P to have documentation for this transaction in the 1996 Contract file.

Payment 3 for \$10,245 was for SIRE Multipackage TIFF software module, \$3,995, programming service, \$2,500, mainframe set-up, \$1,250, and loading and installation, \$2,500. This payment was misclassified to object code 2470, "Maintenance of Office Equipment." It should have been coded to object code 7410, "Capital Purchases."

C&P did not have documentation for this transaction file. However, we were able to review the invoice. This was not treated as an informal amendment by the DA.

Payment 4 for \$12,900 was for server migration, \$6,250; SIRE set-up for abstract books, \$1,250; forms software installation, \$2,900; and installing, training and creating

forms, \$2,500. C&P had an approval letter on file with signatures from the Recorder, Contract Manager, Auditor's Office, and the Mayor's Office.

This payment was misclassified to object code 2470, "Maintenance of Office Equipment." It should have been coded to object code 7410, "Capital Purchases." This was treated as an informal amendment by the DA.

Contract and Payment Activity during 2003

Coding errors continued in 2003, but not of large magnitude. In 2003, the payments were as follows:

2003 Payment Summary								
Payment #	Transaction Date	Warrant Number	Amount Paid	Fund & Org. #	Object Code	Object Code Correct in AFIN	Document on file in C&P	DA Treated as Informal Amend.
1	02/11/03	854924	\$45,944.00	340-1151	2470	Y	Y	N
2	08/11/03	873482	\$3,522.00	340-1151	2470	N	Y	Y
3	09/05/03	875575	\$349.00	340-1151	2330	Y	N/A	N/A
		Total	\$49,815.00					

Table 13. *The payment for \$3,522 was not assigned to the correct object code in the AFIN system.*

Payment 1 for \$45,944 was for maintenance of EDMS, \$26,969; cashier software, \$5,876; E Center interfaces/1st line support of E Record, \$12,000; and SIRE Forms, \$1,099. C&P had an approval letter dated January 5, 2003, for \$45,944 on file with signatures from the Recorder, Contract Manager, Auditor's Office, and the Mayor's Office.

The payment for \$3,522 was not assigned to the correct object code in the AFIN system.

Although the approval letter and invoices provided some documentation, C&P did not have a formal maintenance agreement on file with signatures from both parties. This was not treated as an informal amendment by the DA.

Payment 2 for \$3,522 was for programming SIRE Capture, \$640, and SIRE View Button, \$2,240; tech service on Sunrise Scanner, \$640, and a bearing for the Sunrise Scanner, \$2. C&P had an approval letter for \$3,522 on file that was signed by the Recorder, Contract Manager, Auditor's Office, and the Mayor's Office. The capitalization threshold for 2003 was \$5,000. Thus, there was no requirement to capitalize this purchase.

However, object code 2485, "Maintenance of Software" seems more appropriate for the activity described on the invoice rather than object code 2470, "Maintenance of Office Equipment." This was treated as an informal amendment by the DA.

Payment 3 of \$349 was for registration at the SIRE Roundtable for an employee in the Recorder’s Office. This transaction did not relate to the maintenance or upgrading the EDMS system, therefore, it was not necessary for C&P to have documentation for this transaction in the 1996 Contract file.

Contract and Payment Activity during 2004

A number of coding errors occurred in 2004. During 2004, the payments were as follows:

2004 Payment Summary								
Payment #	Transaction Date	Warrant Number	Amount Paid	Fund & Org. #	Object Code	Object Code Correct in AFIN	Document on file in C&P	DA Treated as Informal Amend.
1	01/23/04	889297	\$780	340-1151	2419	Y	N/A	N/A
2	01/23/04	889297	\$390	340-1151	2419	Y	N/A	N/A
3	03/26/04	895838	\$45,944	340-1151	2470	Y	Y	N
4	08/27/04	912171	\$21,225	340-1151	2930	N	Y	Amend#12
5	12/22/04	926028	\$15,000	340-1151	2415	N	Y	Amend#12
6	12/22/04	926028	\$5,400	340-1151	2485	N	Y	Amend#12
7	12/22/04	926028	\$825	340-1151	2930	N	Y	Amend#12
		Total	\$89,564					

Table 14. Payments 4 through 7, totaling \$42,450 for the Auto-Indexing project should have been capitalized.

Payments 1 and 2 were for Epson Printers (3 @ \$375 each, plus freight). The transactions were correctly recorded to object code 2419, “Small Equipment.” These transactions did not relate to the maintenance or upgrading the EDMS system, therefore, it was not necessary for C&P to have documentation for these transactions in the 1996 Contract file.

Payment 3 of \$45,944 was for the annual maintenance contract. C&P had an approval letter on file dated January 30, 2004, for this transaction with signatures from the Recorder, Contract Manager, Auditor’s Office, and the Mayor’s Office. The approval letter and invoices provided documentation for these payments.

However, C&P did not have a formal maintenance agreement on file with signatures from both parties. This was not treated as an informal amendment by the DA.

The last four payments in 2004, totaling \$42,450, should have been capitalized to object code 7410.

Payments 4 through 7 were for the “SIRE Auto-Indexing Software Module,” described on the invoice as “Programming.” Payment 4 for \$21,225 was for 50 percent of the project and payments 5 to 7, totaling \$21,225, paid for the second half of the project. With a total cost of \$42,450, the Auto-Indexing project should have been capitalized.

This transaction was approved through Amendment #12 of the original contract and was on file in C&P.

Contract and Payment Activity during 2005

The trend in coding errors continued in 2005. During 2005 the following payments were made:

2005 Payment Summary								
Payment #	Transaction Date	Warrant Number	Amount Paid	Fund & Org. #	Object Code	Object Code Correct in AFIN	Document on file in C&P	DA Stated as Informal Amend.
1	02/22/05	932242	\$45,744	340-1151	2470	Y	Y	N
2	04/11/05	937133	\$51,000	340-1151	2470	N	Y	N
3	04/11/05	937133	\$28,750	340-1151	2485	N	Y	N
4	04/11/05	937133	\$24,125	340-1151	2930	N	Y	N
5	06/15/05	943219	\$83,100	340-1151	2485	N	Y	N
6	09/19/05	951677	\$18,500	340-1151	2785	N	Y	N
7	09/19/05	951677	\$2,275	340-1151	2930	N	Y	N
		Total	253,494					

Table 15. Six of the seven payments in 2005 were not assigned to the correct object code in AFIN.

Payment 1 for \$45,744 was the annual maintenance contract for all SIRE software. C&P had an approval letter dated November 30, 2004, on file for this transaction with signatures from the Recorder, Contract Manager, Auditor’s Office, and the Mayor’s Office.

Although the approval letter and invoices were on file for these payments, C&P did not have a formal maintenance agreement on file with signatures from both parties.

The payments totaling \$207,750 for the 2004 quote proposal were not assigned the correct object code.

Payments 2 through 7 comprised the \$207,750 paid for the September 24, 2004, Quote Proposal which included the leased hardware located at the co-location host facility, the hosting service at the co-location facility, and website development. All of the items on the proposal were over the \$5,000 capitalization threshold but they were not capitalized to object code 7410. C&P had an approval letter dated December 7, 2004, for \$207,750, on file for this transaction with signatures from the Recorder, Contracts Manager, Auditor’s Office, and the Mayor’s Office. Included with the quote proposal was a document titled, “Project Assumptions and Discussion.”

As previously covered in detail, a contract amendment was not requested for this quote proposal.

Contract and Payment Activity during 2006

In 2006 the following payment was made:

2006 Payment Summary								
Payment #	Transaction Date	Warrant Number	Amount Paid	Fund & Org. #	Object Code	Object Code Correct in AFIN	Document on file in C&P	DA Stated as Informal Amend.
1	02/13/06	966001	\$45,744	340-1151	2470	Y	Y	N

Table 16. *The one payment thus far in 2006 was assigned the correct object code and C&P had the appropriate documentation on file.*

The only payment made in 2006 to date was \$45,744. This payment was for the annual maintenance contract and was charged to object code 2470. It included maintenance on 50 SIRE Client modules (\$26,969), 5 SIRE Cash-Pro modules (\$5,876), SIRE Electronic Cash-pro and interface for E Record (\$12,000), and SIRE Forms (\$899.10). SIRE Auto Indexing was listed but billed at “\$0.00 for 2006, with an annotation of \$5,400 for 2007.” C&P had an approval letter dated January 11, 2006, for \$45,744 on file for this transaction with signatures from the Recorder, Contract Manager, Auditor’s Office, and the Mayor’s Office.

Although the approval letter and invoices were examined for these payments, C&P did not have a formal maintenance agreement on file with signatures from both parties.

Summary Finding

Approximately 32 percent of the payments that occurred between 1996 and 2006 were not assigned to the correct object code in AFIN.

In summary, approximately 32 percent, 17 of 33 payments, to SIRE by the Recorder’s Office between 1996 and 2006, were not classified to the correct object code in AFIN. In addition, approximately 29 percent, 13 of 45 payments, which required documentation in the 1996 Contract file in C&P, did not have the documentation in the file. Thus, several system modifications occurred that significantly changed the scope and cost of the SIRE contract. However, C&P was neither made aware of these scope changes nor had access to the documentation to keep the contract file current.

Furthermore, we concluded that there were 12 actual scope changes to the 1996 contract over the 10 year period, which under Paragraph 4 of the 1996 Contract would have required a formal, written amendment. The DA identified four maintenance renewals as scope changes and treated them as informal amendments. However, we did not count maintenance renewals as scope changes in our analysis.

Of the 12 actual scope changes, the DA identified 6 as informal amendments and the other 6 were not identified by the DA, probably due to a lack of documentation in the contract file or not being notified of the change.

In the third quarter of 2005, the Capital Assets Section of the Auditor's Office questioned the miscoding of assets acquired in the 2004 SIRE quote proposal.

The Auditor's Office has been working with the Recorder's Fiscal Manager to make correcting journal entries.

4.2 RECOMMENDATIONS:

4.2.1 We recommend that the Recorder's Fiscal Manager ensure that all financial transactions are assigned the correct object code in AFIN.

4.2.2 We recommend that the Recorder notify C&P of transactions that occur on the SIRE contract so that the appropriate procedures are followed and the appropriate documentation is kept in the contract file.

Section 4. Changes to Scope of Work

A. Timely Processing of Equitable Adjustments.

COUNTY may at any time, by written order, make changes within the general scope of this Agreement, and in the services or work to be performed. If after the first year of this Agreement when the system is fully and successfully operational, changes not contemplated in Attachments A, B, or C are requested by the COUNTY which cause an increase in ANS' cost or time required for performance of any services under this Agreement, an equitable adjustment shall be made and this Agreement shall be modified in writing accordingly. Any claim of ANS for adjustment under this clause must be asserted in writing within thirty (30) days from the date of receipt by ANS of a notification of change unless the COUNTY grants a further extension.

B. Approval by County Commission.

All change orders or amendments to this Agreement must be approved by a vote of the County Commission, taken in a regularly scheduled and constituted public meeting.

RECEIVED

JUL 13 2004

DATE: JULY 13, 2004
DISTRICT ATTORNEY
CIVIL DIVISION

TO: S L COUNTY DISTRICT ATTORNEY
[REDACTED]

FROM: RECORDER'S OFFICE
[REDACTED]

RE: AMENDMENT; NEW CONTRACT OR PURCHASE ORDER
RE: CONTRACT RD0666C



Salt Lake County Recorder
(801) 468-3779

Fax (801) 468-3335

Division Admin
(801) 468-3240

Alpha Corp. (formerly Alpha Numeric) has provided and continues to provide Electronic Document Imaging Support and Software to our office. Since the original purchase in 1996, technologies have changed substantially. As a result of the changes, Alpha Corp. has developed their own module of imaging software. Due to restricted budget & staff restraints, the Recorder's Office is in dire needs of a program that enables "Optical Character Recognition" or OCR. In order to achieve this task our office is in need of additional programming, software and hardware support. (See attached quote)

Why?

The goods and services requested are necessary to assure smooth integration and standardization with our existing Electronic Document Management System and to avoid uninterrupted service to the public.

This additional programming & software will help in our transition from UNIX to a Microsoft platform per IS.

\$ 42,900.00 unencumbered funds are available in Unit 1151.

The Electronic Document / Imaging System was purchased in 1996 as sole source.

Your urgent attention would be appreciated in this matter.

Thank you in advance, for your assistance in this matter.

[REDACTED]

cc: Contracts & Procurement / [REDACTED]

Scope Change Document
Prepared by Civil Division of District Attorney's Office

- #1 Memo dated 7/31/97 from [REDACTED] to [REDACTED] for "addendum to contract #RD0666C." Purchase of Wisdom software to allow clients access to POLARIS without requiring clients to buy additional software.
- #2 Maintenance Agreement for one year – from 11/1/98 to 10/31/99 (electronic document management system)
- #3 Maintenance Agreement for one year – from 12/98 through 11/99 (Imaging Server Core)
- #4 Maintenance Agreement for one year - from 7/31/99 to 3/1/2000 (CashPro Cashier Application Software)
- #5 Purchase of additional software and programming to upgrade system– February, 2000
- #6 Amendment #1 – Electronic Signature Project – December, 2000
- #7 Conversion Fee – One time to move images from former storage system to new storage system in IS – April, 2001
- #8 Annual Support (fee is different from previous annual maintenance fees)??? – August, 2001 (and renewal date is different than other maintenance agreements???)
- #9 Additional programming to upgrade existing program to meet requirements of county policy #1062 – December, 2001
- #10 Additional programming – Sire integration and implementation, November, 2002
- #11 Additional programming for Sire to automate book and page processing, July, 2003
- #12 Amendment No. 12 – July, 2004 – An effort to pull maintenance and other contract amendments "under one roof."



AlphaCorp
Alpha Numeric Solutions
 3759 West 2340 South, Suite G
 Salt Lake City, Utah 84120
 (801) 977-8608 Fax (801) 977-8775

Quote - Proposal

The following number must appear on all related correspondence, Purchase Order:
QUOTE NUMBER: Hosting, Development and Support of the SLC Recorder Site

Ship To: SAME

To Salt Lake County

Attr:
 Fax:

QUOTE DATE	PROPOSER	SHIP VIA	F.O.B. POINT	TERMS
Sept 24, 2004		Best	SLC	Net 30

QTY	UNIT	DESCRIPTION	UNIT PRICE	TOTAL
		<u>Hardware</u>		
1		Web Server hosting SLC Recorder Web Site		
1		Application Server for managing SLC Recorder Data		
1		Database Server for data warehouse of SLC Recorder Data		
1		Storage Area Network for storing SLC Recorder documents 3 TB, Tape Library	51,000.00	51,000.00
		<u>Hosting</u>		
12		5MB burstable to 10 MB redundant access, 24-7 support, Rack Space, redundant power, 24-7 security to equipment.	2200.00	26,400.00
105		WebSite Development – Modifications specified by the County to current website pages, New applications to replace existing IBM emulator for main frame data access, Database schema design for main frame data import, Remoting xml transfer of local scanned data to hosting location, Remoting xml transfer of main frame data to hosting location, working with County on data export from main frame, SIRE software applications, maintenance of the site, administer and support the site.	1250.00	130,350.00

SUBTOTAL \$207,750.00

SALES TAX

SHIPPING & HANDLING

TOTAL 207,750.00

Pricing valid for 90 days, 3 year contract
 Delivery: 25 days after receipt of order

Project Assumptions and Discussion:

The hardware would be purchased on a 3 year lease. The total cost of the hardware is \$153,000.00 for the servers, storage and backup library. This cost would be shared if other sites were brought on to the system after the first year and could share the hardware otherwise the county would have a cost of \$51,000 over a 3 year period.

The co-locate cost is a monthly charge for the bandwidth used, rack space in the facility, redundant power, redundant access to the data so that if one line goes down there are other lines that are used for 24-7 up time, security to the equipment and monitoring of the equipment. This cost could be shared if other sites were brought on to the system after the first year.

It would be assumed that a 3 year contract would be entered into for the hosting.

We would also dedicate a person to accomplish this job and that would be their soul focus. We would also have others doing pieces of the work but one person would be dedicated to the effort. The benefits from what we see would be the following:

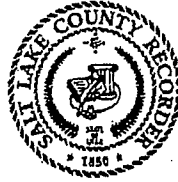
- Security - Data is replicated, County does not have to worry about public ports into the county, County does not need a web server for the recorder
- Main Frame (Java) Interface replaced with a more user friendly interface
- Up time would be independent of county outages

The cost in the quote is for the first year as we discussed and the cost would go down each year. The first 3 years are the most expensive just in getting it into place and I have distributed some of the costs over a 3 year period. The 2nd (95,000) and 3rd (90,000) years go down and the 4th year drops significantly to 45,000 this is because of hard costs to Alphacorp.

C. Additional Upgrades or Modifications.

Additional upgrades or new software and programming may become available which upgrades or new technology would benefit the existing operating system utilized by the County Recorder's Office. AlphaCorp agrees to notify the County of such upgrades and technology. The original master agreement may be further amended or modified, either with a bilateral contract or purchase order, to allow the County to acquire such upgrades or technology if the County determines the acquisitions to be in the best interests of the County.

Dec 7, 2004



TO: SL COUNTY MAYOR
 FROM: RECORDER'S OFFICE
 RE: ADDITIONAL PROGRAMMING FOR SIRE
 ON AGREEMENT RD0666C

Alpha Corp. has provided and continues to provide Electronic Document Imaging Support and Software to our office. Since the original purchase in 1996, technologies have changed substantially. As a result of the changes, Alpha Corp. has developed their own module of imaging software, which they are currently installing on our new Crisp Sun Fire Server. Our office is expanding our current document management system for more secure public access & availability. In order to achieve this task our office is in need of additional programming, software and hardware support.

\$ 207,750.00 unencumbered funds will be available in 340-100-1151-2470-EY00. (Funds may need to be a combination of 2004 & 2005 funds)

The Electronic Document / Imaging System was purchased in 1996 as sole source.

This agency has reviewed and is agreeable to the terms and conditions.

[Redacted Signature]
 Elected Official
 Salt Lake County Recorder

[Redacted Signature]
 Contracts Manager

[Redacted Signature]
 Auditor Office

[Redacted Signature]
 Mayor or Designee

12/17/04

Date

12-07-04A09:15 RCVD [Redacted] • Salt Lake County Recorder
 Salt Lake County Government Center • 2001 South State Street, Suite N1600 • Salt Lake City, Utah 84190-1150
 Tel (801) 468-3779 • Fax (801) 468-3335
 12-18-2662-3705 FILE

Recorder's AlphaCorp/SIRE September 24, 2004 Quote Proposal
 Approved by Mayor's Authority
 December 17, 2004

Events Leading Up to and Opportunities to Catch and Refer for Amendment

History of Quote Proposal of September 24, 2004, which later became back-up to "Request for Additional Programming" dated December 7, 2004:

<u>When</u>	<u>Who</u>	<u>What Event</u>	<u>Missed Opportunity</u>	<u>Contract/Ordinance/Policy Violation</u>
Events Leading Up To:				
July 13, 2004	Recorder's Office <ul style="list-style-type: none"> ▪ Recorder ▪ Special Asst. ▪ Fiscal Manager 	<p><u>Letter of July 13, 2004</u></p> <ul style="list-style-type: none"> • Advice regarding the need for amendment, purchase order or new contract requested by Recorder in letter of July 13 to DA Civil Division citing need for programming: <ul style="list-style-type: none"> ○ to enable Optical Character Recognition (OCR) ○ transition from UNIX to Microsoft platform 	Pre-Sept. 2004	County ordinance and 1996 Contract provision complied with
Aug 4, 2004	District Attorney <ul style="list-style-type: none"> ▪ Civil Div Attorney 	<p><u>Amendment # 12 to SIRE/Alpha Contract of 1996</u></p> <ul style="list-style-type: none"> • DA prepares Amendment #12 to 1996 Contract after: <ul style="list-style-type: none"> ○ determining 10 previous amendments were required but none were made in written form • Amendment contains provision to allow: <ul style="list-style-type: none"> ○ Contract to be further amended or modified by bilateral contract, ○ County to acquire needed upgrades or technology • Unrelated to offsite SIRE system replication under consideration 	Pre-Sept. 2004	County ordinance and 1996 Contract provision complied with

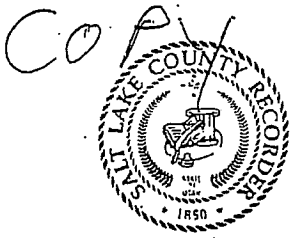
When	Who	What Event	Missed Opportunity	<u>Contract/Ordinance/Policy Violation</u>
Aug 4, 2004	Contracts Division <ul style="list-style-type: none"> ▪ Division Director ▪ Contracts Manager 	<u>Letter from DA's Office Forwarding Amendment #12</u> <ul style="list-style-type: none"> • States that Amendment #12 has been approved "as to form" • Forwarded to Contracts Division for Processing 	Pre-Sept. 2004	County ordinance and 1996 Contract provision complied with
Aug 9, 2004	Contracts Division <ul style="list-style-type: none"> ▪ Contracts Manager 	<u>Mayor's Office Approval Processing</u> <ul style="list-style-type: none"> • Signs recommending approval of Amendment #12 	N/A	N/A
Aug 11, 2004	Auditor's Office <ul style="list-style-type: none"> ▪ Assoc. Div Dir – Budget 	<ul style="list-style-type: none"> • Certifies availability of funds 	N/A	N/A
Aug 13, 2004	Mayor's Office <ul style="list-style-type: none"> ▪ Mayor's CAO 	<ul style="list-style-type: none"> • Final approval signature 	N/A	N/A

When	Who	What Event	Missed Opportunity	Contract/Ordinance/Policy Violation
Opportunities to Refer for Amendment				
Sept 24 to Oct 25, 2004	<p>Recorder's Office</p> <ul style="list-style-type: none"> ▪ Recorder ▪ Special Asst. ▪ Fiscal Manager <p>Recorder's office: One-month to review and analyze the quote proposal, with Amendment #12 requirements focused on during July and August 2004</p> <p>SIRE/Alpha Corp : Ample time to disclose 3rd party lease obligations and extended payments</p>	<p>SIRE Quote Proposal – significant upgrades and technology</p> <ul style="list-style-type: none"> • Hardware \$51,000 • Offsite Hosting 26,400 • Website Development 130,350 <p style="text-align: right;">Total <u>\$207,750</u></p> <p>Project Assumptions & Discussion (attached to Quote Proposal)</p> <ul style="list-style-type: none"> • Hardware – 3 year lease (\$51K x 3) 153,000 • Hosting facility – 3 year lease (\$26.4 K x 3) 79,200 • Web develop – (\$130,350 + \$75,200) 205,550 <p style="text-align: right;">Total <u>\$437,750</u></p> <p>Payment Schedule</p> <ul style="list-style-type: none"> • Budget Year 2005 – 207,750 • Budget Year 2006 - 95,000 • Budget Year 2007 - 90,000 • Budget Year 2008 - 45,000 <p style="text-align: right;">Total <u>\$437,750</u></p>	<p>Yes</p>	<p>Yes:</p> <ul style="list-style-type: none"> • 1996 Contract, Section 4, Paragraph A • Amendment #12, Paragraph C

<u>When</u>	<u>Who</u>	<u>What Event</u>	<u>Missed Opportunity</u>	<u>Contract/Ordinance/Policy Violation</u>
<p>Oct 26 to Nov 01, 2004</p>	<p>Recorder's Office</p> <ul style="list-style-type: none"> ▪ Recorder ▪ Fiscal Manager <p>Auditor's Office</p> <ul style="list-style-type: none"> ▪ Budget Administrator 	<p><u>Appropriation Unit Adjustment Memo</u> <u>Purpose:</u> Complete "book preservation project Web server and data storage"</p> <ul style="list-style-type: none"> • General Fund <ul style="list-style-type: none"> – from <i>Pers. to Operations</i> 125,000 • Tax Admin Fund <ul style="list-style-type: none"> – from <i>Pers. to Operations</i> <u>300,000</u> <p style="text-align: right;">Total <u>\$425,000</u></p> <p>No indication of Capital Equipment Purchases Budget Administrator – had not seen SIRE Quote Proposal</p>	<p><u>Yes:</u> SIRE Quote Proposal was not included with request</p> <p><u>No</u></p>	<p><u>No:</u> Interim Budget Adjustment Ordinance was followed</p> <p><u>No</u></p>
<p>Nov 16, 2004</p>	<p>Council</p> <ul style="list-style-type: none"> ▪ Members ▪ Admin Asst.'s ▪ Fiscal Analysts <p>Clerks of Council</p> <p>Auditor's Office</p> <ul style="list-style-type: none"> ▪ Auditor ▪ Budget Div. Dir. ▪ Budget Administrator 	<p><u>Year-end Budget Hearings – Recorder's Presentation</u></p> <ul style="list-style-type: none"> • Fiscal Analyst and Recorder introduced the \$300,000 as: <ul style="list-style-type: none"> ○ Year-end adjustment for completion of "book binding" ○ Recorder asserts he was prepared to discuss offsite data storage and web development project • Review of tape recordings indicate Council did not pursue further discussion and approved the budget adjustment, for "book binding," with tape recording of meeting cutoff • Clerk's official minutes reflect a Council and Mayor approved adjustment in Recorder's Tax Admin Budget: <ul style="list-style-type: none"> ○ Tax Admin Fund– <i>Personnel to Capital Equip</i> \$300,000 	<p><u>No:</u> Neither Council nor Auditor's Office was aware of 1996 Contract or Amendment #12 provision</p>	<p><u>No:</u> Recorder appeared before the Council and was prepared to discuss all aspects of budget adjustment</p>

<u>When</u>	<u>Who</u>	<u>What Event</u>	<u>Missed Opportunity</u>	<u>Contract/Ordinance/Policy Violation</u>
<p>Nov 23, 2004</p>	<p>Council</p> <ul style="list-style-type: none"> ▪ Members ▪ Admin Asst.'s <p>Clerks of Council</p> <p>Mayor's Office</p> <ul style="list-style-type: none"> ▪ Mayor's CAO <p>Tax Administration</p> <ul style="list-style-type: none"> ▪ Tax Administrator <p>Council Fiscal Analyst</p> <p>Auditor's Office</p> <ul style="list-style-type: none"> ▪ Budget Mgr ▪ Budget Div Dir ▪ Auditor 	<p><u>Year-end Budget Hearings - Tax Admin Fund Presentation</u></p> <ul style="list-style-type: none"> • Assessor requested 7 new FTEs and 5 New Vehicles in presentation made by Tax Fund Administrator • Tax Fund Administrator also requested a fund balance transfer: <ul style="list-style-type: none"> ○ From-<i>Capital Revolving Fund (\$400,000)</i> ○ To -<i>Tax Administration Fund 400,000</i> Purpose of transfer: <ul style="list-style-type: none"> ○ Assessor – Scanner 25,000 ○ Recorder – Software 60,000 <li style="padding-left: 20px;">– Data Storage 300,000 ○ Surveyor – Scanner <u>15,000</u> <li style="padding-left: 40px;">Total 400,000 • Several questions were raised during Council discussion <ul style="list-style-type: none"> ○ Mayor's CAO questioned whether the \$300,000 was for "bookbinding" ○ Tax Administrator explained that this was a capital purchase for a new web-server and data storage, and that bookbinding was \$125,000, provided by an adjustment in General Fund ○ Council Fiscal Analyst explained that "restricted" funds in Capital Revolving were: <ul style="list-style-type: none"> • Being drawn down for one-time capital purchases related to tax administration system improvements. • Allowing the Tax Admin Fund balance to remain "whole" by retaining the under-expends in the Recorder, Assessor, and Surveyor budgets. 	<p><u>Yes</u></p> <p><u>No: Tax Fund Administrator, Mayor's CAO, Council Fiscal Analyst, and Auditor's Office were not aware of the 1996 Contract or Amendment #12 provisions</u></p>	<p><u>No</u></p> <p><u>No: Tax Fund Administrator presented budget adjustment request in detail. Council allowed the time deemed necessary to review and approve.</u></p>

<u>When</u>	<u>Who</u>	<u>What Event</u>	<u>Missed Opportunity</u>	<u>Contract/Ordinance/Policy Violation</u>
Nov 23, 2004 continued		<p><u>Continued from previous page:</u></p> <ul style="list-style-type: none"> • Most of the discussion focused on the 7 FTE approval and justification of need for new vehicles for the Assessor. • Council approved the transfer to Tax Administration Fund 		
Dec 7, 2004	<p>Recorder's Office</p> <ul style="list-style-type: none"> ▪ Recorder ▪ Fiscal Manager ▪ Special Assistant 	<p><u>Recorder's letter to County Mayor – Approval Request</u></p> <ul style="list-style-type: none"> • <u>Justification:</u> Recorder is expanding current document management system for more secure public access and availability and needs additional programming, software and hardware support • <u>Cost and Coding:</u> \$207,750 of unencumbered funds available in Tax Admin Fund, object code 2470, Maintenance of Office Equipment • <u>Reference to Attachments:</u> No reference to attached Quote Proposal or Project Assumptions and Discussion • <u>Need for Amendment:</u> No reference to Amendment #12 	Yes	<p><u>Yes:</u></p> <ul style="list-style-type: none"> • 1996 Contract, Section 4, Paragraph A • Amendment #12, Paragraph C • County Ordinance 3.20.010
Dec 7, 2004	<p>Contracts Division</p> <ul style="list-style-type: none"> ▪ Division Dir ▪ Contracts Mgr 	<p><u>Review of Recorder's Letter prior to submission to Mayor</u></p> <ul style="list-style-type: none"> • Contract Division Director and Contracts Manager had opportunity to assess the change of scope described in Quote Proposal and Project Assumptions and Discussion attached to letter • Letter and attachments were not sent to DA's Civil Division to review need for further contract amendments 	Yes	<p><u>Yes:</u></p> <ul style="list-style-type: none"> • 1996 Contract, Section 4, Paragraph A • Amendment #12, Paragraph C • County Ordinances 3.16.040, 3.20.030, 3.28.040



October 26, 2004

TO: AUDITOR'S OFFICE
FROM: RECORDER'S OFFICE
RE: APPROPRIATION UNIT ADJUSTMENT

In accordance with Salt Lake County Interim Budget Adjustment Policy #1050, I am requesting the following appropriation unit adjustments. These adjustments are requested to allow the Recorder's office funding for: Completion of our current Book Preservation Project and Implementation of a new Web Server and Data Storage.

UNIT / ORGANIZATION 1150

AMOUNT	FROM	APPR UNIT	TO	APPR UNIT
\$125,000		23		24

UNIT / ORGANIZATION 1151

AMOUNT	FROM	APPR UNIT	TO	APPR UNIT
\$300,000		506		507

Thank you in advance for your assistance.

[Redacted Signature]

Salt Lake County Recorder

28 Oct 04
Date

[Redacted Signature]
Auditor or designee

1 Nov 04
Date

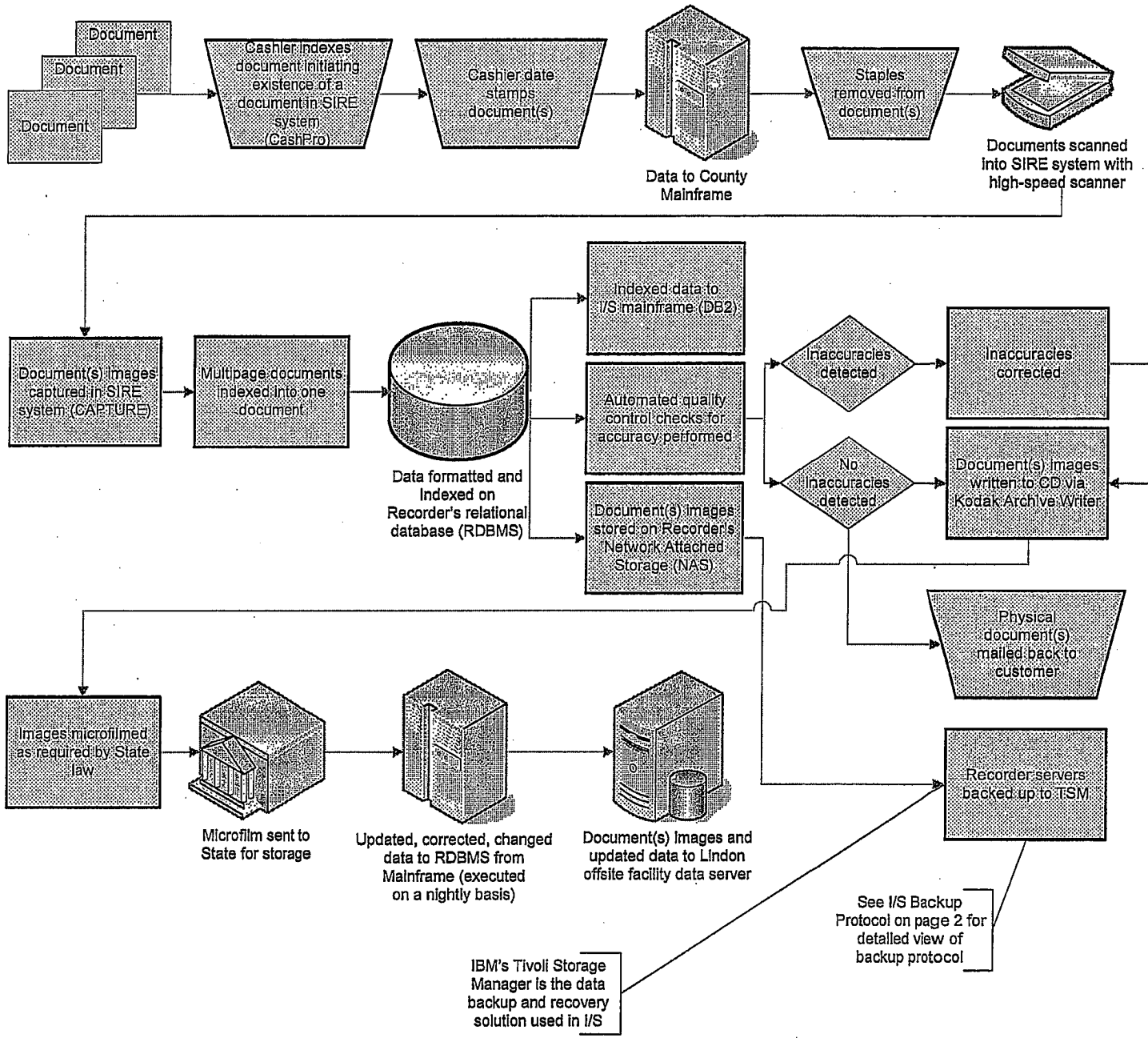
Mayor or designee

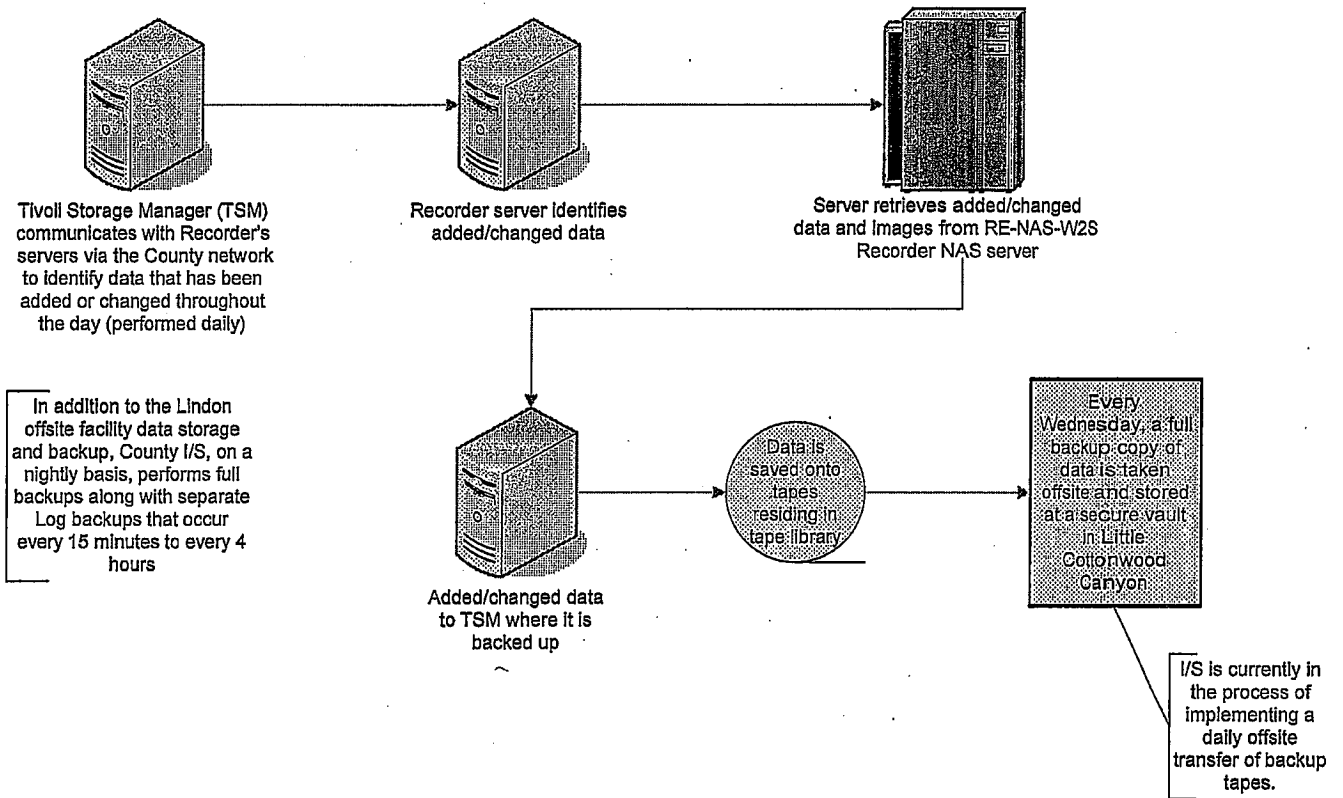
Date

Council or designee

Date

[Redacted] • Salt Lake County Recorder
Salt Lake County Government Center • 2001 South State Street, Suite N1600 • Salt Lake City, Utah 84190-1150
Tel (801) 468-3779 • Fax (801) 468-3335 • [Redacted]





2000-1694



COMMUNITY & SUPPORT SERVICES DEPARTMENT

Division of Contracts & Procurement

[REDACTED]
COMMISSIONER

[REDACTED]
DEPARTMENT DIRECTOR

[REDACTED]
DIVISION DIRECTOR

October 31, 2000

[REDACTED]
County Attorney Office
Salt Lake County Government Center
Salt Lake City, Utah

SUBJECT: Proposed Amendment to Agreement with Alpha Numeric Solutions for additional programming service RD0666C

Hello:

The Recorder's Office purchased an electronic document management system from Alpha Numeric Solutions. It was approved by [REDACTED] on 12-6-96.

Section 4 "Changes To Scope Of Work" states that after the first year changes will be made in writing. The Recorder needs some programming done to accommodate the filing of electronic signatures over the internet. They have received a proposal from Alpha Numeric which is attached.

Please have your office draft an amendment with the scope, consideration, time frame, and so the County is protected from errors and omissions.

Please contact [REDACTED] at X3240 if you have any questions. Send amendment to [REDACTED] for Recorder's review and Alpha Numeric signature.

Thank you,

[REDACTED]
[REDACTED]
Contracts Manager

cc: [REDACTED] Director
Contracts & Procurement

Capital Improvements (450-5050) - 2nd brine pit at Metro Jail
Capital Improvements (450-5050) - contingency
Capital Improvements (450-5050) - Redwood sign project
Capital Improvements (450-5050) - SLC regional trails plan project
Capital Improvements (450-5050) - Decker Lake park trail project
Salt Palace (580-3550) - adjust capital project list for purchase of boom lift (30,000)
Fine Arts (585-3500) - increase operations appropriation for capitalization threshold
Fine Arts (585-3500) - reduce capital appropriation for capitalization threshold
Sheriff Unincorp (660-1415) - provide 10 percent match of local law enforcement block grant
Sheriff Contract (660-1416) - increase of one deputy in Herriman and 1/2 deputy in Riverton
Sheriff Unincorp (660-1415) - reduce funding for staff
Sheriff Unincorp (660-1415) - fully fund crossing guards
Sheriff Unincorp (660-1415) - fully fund overtime
Sheriff Unincorp (660-1415) - operational costs
Sheriff Contract (660-1415) - reduce funding for staff
Sheriff Contract (660-1415) - fully fund crossing guards
Sheriff Contract (660-1415) - fully fund overtime
Sheriff Contract (660-1415) - operational costs

██████████ reviewed the following 2004 year-end budget adjustments recommended by the Mayor:

Recorder (110-1150) - reduce personnel appr. book preservation project
Recorder (110-1150) - increase ops appr for book preservation project

Surveyor (110-1350) - monument preservation fund purchases (restricted fund balance)
Parks (110-3630) - Sugarhouse park fund adjustment
Recreation (110-3640) - pool manager costs for Gene Fullmer center
Recreation (110-3640) - facility maintenance repairs
Animal Services (230-2200) - purchase generator and storage tank
Development Services (230-4050) - reduce personnel appropriation for equipment purchase
Development Services (230-4050) - increase capital for dynamic portal software
Public Works Ops (230-4400) - new project for redevelopment agency for downtown Magna
Public Works Ops (230-4400) - new project for Copperview subdivision storm drain
Municipal Service Cap Imps (230-5600) - FB transfer from capital revolving - Cottonwood RDA closeout
Class B Projects (270-4550) - FB transfer from capital revolving - Cottonwood RDA closeout
Visitor Pro County (290-3601) - designate convention incentives for future years (100,000)
Large Group (310-3591) - increased contribution due to additional revenue
Small Group (310-3592) - increased contribution due to additional revenue
Zoological (310-3593) - increased contribution due to additional revenue

Recorder-Tax (340-1151) - reduce personnel approp for equipment purchase
Recorder - Tax (340-1151) - increase capital for web server and data storage

Capital Imps (450-5050) - recreation bond project completion
Capital Imps (450-5050) - fund balance transfer from 430-rec projs for encumbrance payment
Old Mill Golf (520-3790) - increased water costs

Capital Revolving Fund (670) - FB trans to Class B roads for Cottonwood RDA closeout
Capital Revolving Fund (670) - FB trans to municipal services for Cottonwood RDA closeout
Telephone Mangement (630-5350) - increase personal appr for financial staff not budgeted for
Telephone Management (630-5350) - decrease op appr for financial staff not budgeted for
Facilities Services (650-3300) - upgrade Salt Palace security system
Facilities Services (650-3300) - increased postage for election, parks and aging
Facilities Services (650-3300) - increase in cost of materials of approx 17 percent
Facilities Services (650-3300) - reduce personnel approp for unanticipated year end project
Facilities Services (650-3300) - increase operations approp for unanticipated year end project

██████████ reviewed the following new requests for 2004 year end budget adjustments:

Auditor (110-1100) - training and travel costs related to performance measurement
Parks (110-3630) - procurement system maintenance costs
Recreation bond projects (430) - fund balance trans to 450-capital imp for encumbrance payment
Riverbend Golf (520-3800) - increased rent costs for MBA interest costs
Fleet Management (620-4800) - auditor recommended non-cash adjustment due to UFA contract
Fleet Management (620-4800) - to cover book value write-off loss on disposition
Riverbend Golf (720-5328) - additional bond interest costs
Employee Ins (740-5300) - projected medical and dental insurance costs
Statutory Benefit (740-5302) - GASB 10 requirement for self-insured workers compensation
Statutory Benefit (740-5302) - lump sum sick and vacation for public early retirement window
Statutory Benefit (740-5302) - lump sum sick and vacation for sheriff early retirement window
Statutory Benefit (740-5302) - industrial medical and retirement payments

Council Member ██████████, seconded by Council Member ██████████, moved to approve the 2004 budget adjustments as recommended with the exception of Development Services (230-4050). The motion passed unanimously.

██████████, Chief Administrative Officer, Mayor's Office, stated the adjustment for Development Services was to allow the purchase of software to track applications from beginning to end.

Council Member ██████████, seconded by Council Member ██████████, moved to approve the Development Services budget adjustment as recommended. The motion passed unanimously.

RECOMMENDATION

- Transfer \$400,000 from Tax Admin – Revolving Loan Fund to the State Tax Admin Fund
- Fund Assessor's new FTE and vehicle request
- Develop new vehicle usage criteria

Year End Capital Purchases

Assessor – Scanner	\$25,000
Recorder – Software	60,000
Recorder – Data Storage	300,000
Surveyor – Scanner	<u>15,000</u>
	\$400,000



SALT LAKE COUNTY AUDITOR'S OFFICE

SEAN THOMAS

Auditor

AUDIT RELEASE

May 9, 2006

Contact: Sean Thomas, Auditor 468-3220; Jim Wightman, Director of Internal Audit 468-3577

Summary of Findings Related to Limited Scope Audit of Recorder's Office Contracting with SIRE Technologies

Earlier this year, questions were raised about whether the Salt Lake County Recorder followed proper policies and procedures related to contracting with AlphaCorp, dba SIRE Technologies ("SIRE") related to document management and imaging systems used by the Recorder's Office ("SIRE Technology"). The Auditor's Office has performed a limited scope audit of the County's contracting relationship with SIRE Technology as used in the Recorder's Office.

The Auditor's Office is preparing a formal written report that will detail each finding and recommendation of the audit. The following is a summary, in question and answer format, of the key findings and recommendations:

QUESTION: Did the Auditor's Office find any evidence of a purposeful attempt to circumvent ordinances or policies related to County contracts with SIRE?

ANSWER: No. There is no evidence that any County organization or employee intentionally tried to circumvent County ordinance or policy related to any County contract with SIRE, neither during the budget process nor the contracting process.

QUESTION: Was the County's budget process followed with respect to the SIRE Technology?

ANSWER: Yes. The County first contracted for SIRE Technology for the Recorder's Office in 1996. Since that time, the Recorder's Office has requested and received budget authorization for nearly \$1 Million to purchase, implement, upgrade and maintain the SIRE Technology. The County's governing body properly authorized all such requests. However, it is uncertain whether the County Council fully understood what it was authorizing related to the Recorder's Office budget for the 2005 Budget Year; the Council limited discussion of the entire Recorder's Office budget to only a few minutes. Official minutes maintained by the County Clerk show that the Recorder's budget request was presented to the Council on at least two occasions, and each item in the budget, including funding for SIRE technologies, was properly authorized.

QUESTION: Was the County's contracting process followed with respect to the SIRE Technology used by the Recorder's Office?

ANSWER: During the history of County contracting related to the SIRE Technology, we found numerous instances of non-compliance with County contracting ordinances, policies, the original 1996 SIRE contract, and a formal amendment to it. Between 1997 and 2004, only two of thirteen modifications to the original 1996 contract were formalized through written amendments. Each of the other eleven, including the 2004 Quote Proposal related to offsite storage and web

development, also should have been formalized. By ordinance, the Contracts and Procurement Director is responsible to ensure contracts are reviewed and ordinances are complied with. The Recorder's Office, as the contracting organization, has secondary responsibility.

Specifically, with respect to the 2004 Quote Proposal, the failure to have a formal written contract prepared resulted in non-compliance with County ordinance, policy, the original 1996 SIRE contract and one of its formal amendments. We find the primary reasons for the non-compliance are as follows: (1) the payment approval request was submitted by the Recorder's Office at a time that Contracts and Procurement receives a substantial influx of similar year-end submissions; (2) the Recorder's Office relied exclusively on other offices to ensure compliance with contracting procedures, and did not itself adequately understand the process or its own key contracts.

QUESTION: Were appropriate budgeting and accounting entries made to account for the purchase of SIRE Technology since inception?

ANSWER: No. Repeatedly since the 1996 contract, the Recorder's Office Fiscal Manager has misclassified the budgeting and accounting classification codes related to SIRE Technology. The misclassifications do not comply with County policy for accountability and surplus disposal of capital assets. These misclassifications resulted in mischaracterization of capital assets versus operational expenses in the Recorder's Office. Prior to the commencement of this audit, the Auditor's Office identified this problem and has been working with the Recorder's Office to correct the situation.

QUESTION: Is the SIRE Technology effective and efficient?

ANSWER: Yes. Evidence suggests the SIRE Technology has increased productivity in the Recorder's Office, improved service to customers and other users, and has increased revenues.

For instance, the Recorder's Office has increased by 25 % the number of documents recorded per employee per year since 1997, allowing it to reduce the number of employees while increasing the number of documents processed. Further, the SIRE Technology provides instant on-line access to the Recorder's documents, allowing customers such as title and mortgage companies to access recorded documents online rather than sending employees to search physical files and microfiche at County facilities. Moreover, subscription fees charged for use of the SIRE Technology has allowed the Recorder's office to generate significant additional revenue that exceeds the County's expenditures for the SIRE Technology.

QUESTION: What are the key recommendations related to the audit?

ANSWER: The Auditor's Office recommends the following: (1) the Recorder's Office should learn and apply the terms of each contract related to its relationship with SIRE; similarly, all County elected officials, department heads, and other key personnel should understand the key contracts related to their respective offices; (2) the Division of Contracts and Procurement should develop internal policies and procedures to carry out its statutory responsibilities; (3) the Recorder's Office should develop performance measures to gauge the efficiency of its operations and to learn how the SIRE Technology has affected its operations; and (4) the Auditor's Office should work with the District Attorney and the Division of Contracts and Procurement to develop and provide appropriate training related to the contracting process.