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**Sonoma County Energy Independence Program
Document of Procedures Report
As of December 31, 2010**



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AUDITOR-CONTROLLER
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Auditor-Controller's Documentation of Procedures Report

We have documented the following processes for the Sonoma County Energy Independence Program:

- Processing applications.
- Generating Implementation Agreements and Assessment Contracts.
- Recording assessments within FAMIS, Megabyte and at the Recorder's Office.
- Disbursing funds to applicants.
- Recording and applying repayment of assessments and removing the assessments from Megabyte.

Based on the dynamic and evolving nature of the Sonoma County Energy Independence Program, some of the current procedures may have changed since we conducted our interviews and may be different than what has been documented in this report.

We were not able to evaluate the design or operating effectiveness of the internal controls within the processes documented above because the budgeted engagement hours were depleted trying to stay current with the constant changes that were and are still occurring. Procedural changes are occurring at a rapid rate and with the addition of a newly awarded State grant, the narrative should be revisited next fiscal year to ensure that the processes as written are accurate and that the internal controls within those processes are designed effectively.

This report is intended solely for the information and use of the Sonoma County Energy Independence Program and is not intended to be and should not be used by anyone other than the specified party.

Sonoma County Auditor-Controller

February 22, 2011

I. Background

The Sonoma County Energy Independence Program (SCEIP) offers property owners the opportunity to finance energy efficient property improvements through the property tax system. It is an innovative new effort to improve energy efficiency, water conservation and renewable energy generation, thereby reducing greenhouse gas emissions.

Property owners apply for the program, describing the energy and/or water saving improvement(s) they wish to make. If approved, the County and the property owner enter into an assessment contract and implementation agreement, through which the County pays the up-front cost of the improvements. The County places an assessment lien on the property, and the property owner repays the County for the improvements as an assessment on his/her property tax bill over a 5, 10, or 20 year period.

The minimum advance from SCEIP is \$2,500. Amounts from \$2,500 to \$4,999 will be set for repayment in 5 or 10 years. Projects \$5,000 and over may be repaid over a term of either 10 or 20 years, at the property owner's option. Projects of \$60,000 up to \$499,999 will require approval by the Program Administrator. Projects valued at \$500,000 and above will require specific approval by the Board of Supervisors.

Eligibility Requirements:

- Applicant(s) are legal owners of the property.
- Property is developed and located within Sonoma County.
- Property owner is current on property taxes and mortgage(s). Commercial property owners must receive lender consent to participate in SCEIP.
- Property owner is not in bankruptcy and the property is not an asset in a bankruptcy.
- There are no federal or state income tax liens, judgment or similar involuntary liens against the property.
- The property cannot be currently listed for sale.
- The requested financing amount cannot exceed 10 percent of the property value.
- The lien to value ratio (excluding the requested financing amount) cannot exceed 100%.

II. Application

II.1. Application Intake

Applicants can either fax, email, snail mail or personally bring in applications to the SCEIP Office. Once received, the receptionist identifies one of the File Managers to review the application and supporting documents. **File Managers utilize a SCEIP intake checklist to ensure that all required documents have been provided with the application.**

Along with the completed application, applicants are required to provide:

- Copies of their most recent mortgage, equity line, lines of credit (LOC) statements and/or statements for any liens against the property, including personal loans.
- A copy of the contractor's bid, to include a detailed list of materials, proof of required efficiency levels and their specifications as well as the contractor's name and license number.

- Statements, purchase orders or other evidence of cost for items not covered by a home improvement contract or contractor's bid/proposal.
- Copies of the trust documents if the property is held in trust.
- If the property is part of a Homeowner's Association (HOA), permission must be granted from the HOA Board to proceed.
- Commercial Properties must provide a PG&E onsite energy evaluation, a lender consent form signed by all applicable lien holders of the subject property and all applicable organizational documents, i.e. Articles of Incorporation.

If the application is received by fax, email or snail mail, the file manager performs a cursory review of all information received. If there are items identified as missing, the file manager will return the application as incomplete, noting the required documents that are missing.

If the application is personally delivered, the file manager reviews the SCEIP Intake Checklist with the applicant. The Intake Checklist has 7 sections; Receipt of Application, Calculations, Lien Balance plus Requested Amount To Property Value Ratios, Required Attachments, Commercial Only, Research, and Last Steps for Intake.

II.2. Application Review

The first items the file manager reviews with the client are the financial requirements after **confirmation of the Megabyte system APN (parcel number) to ensure the correct property is being reviewed.** Megabyte is the County's Property Tax System maintained by both the Assessor's Office and the Auditor-Controller-Treasurer-Tax Collector's Office (ACTTC). The file manager performs a property valuation using the Assessor's Office current tax roll within Megabyte to perform a Lien to Value (LTV) calculation to ensure that the total amount of all liens of the property do not exceed the home's value and to see if the requested project amount meets the 10% of property's assessed valuation criteria.

The file manager determines the total lien balances of the property using the applicant's most recent mortgage, equity line and LOC statements submitted with the application and divides that total lien value by the assessed value of the property per the Assessor's Office Megabyte system to come up with the LTV. If the Assessor's property value does not qualify the LTV (the LTV is greater than 100%), the File Managers utilize the website Zillow (a real estate tool presenting current estimated market values of properties) to determine if the market value of the property will meet the LTV. If the Zillow market value still doesn't meet the LTV requirements, the property owner has the option to pay for a certified appraiser to perform an appraisal. If the appraised value allows, the owner may request reimbursement for the appraisal as part of their requested financing amount.

After review of the LTV, the file manager performs a calculation to confirm that the requested project amount is less than or equal to 10% of the property's value. As noted above, applicants can only finance up to 10% of the property's value for SCEIP projects. The file manager uses the assessed value identified within Megabyte and divides the requested amount by the assessed value of the property to see if it is less than or equal to 10%. If the request is greater than 10% of the Assessor's property value, the File Managers utilize the Zillow market value of the property to perform the same calculation. If the Zillow market value still doesn't meet the maximum 10% requirement, the property owner has the option to reduce the amount requested or as previously discussed, can pay to have a certified appraiser perform an appraisal. If the appraised value

allows the customer to participate, they may request reimbursement for the appraisal as part of their requested financing amount.

Once determination is made that the 10% criteria is met, **the file manager goes over the requested improvement material costs to determine if they appear reasonable as compared to the SCEIP Eligible Measures listing.** The Eligible Measure Listing identifies the types of energy efficiency or water conservation upgrades that are allowable, the required water/energy efficiency specifications for those types of upgrades and the reasonable cost to install. For example, the file manager will perform a calculation based on the contractor's bid/proposal to determine if the per kilowatt-hour (kWh) cost of installing Photovoltaic Systems (solar panels) is reasonable as compared to the reasonable cost amount per kWh on the Eligible Measures listing. If the kWh cost is greater than the reasonable cost identified on the Eligible Measures listing, the file manager will seek further information to see if there is a valid reason for the higher charges.

If the property is held in trust, which can also be identified using Megabyte if the applicant did not provide trust documents, the file manager reviews the trust documents to ensure that the applicant is in fact named as a trustee with the power to participate in a contract, enter into loans, borrow money, hypothecate and/or encumber the property. If the trust documents were not included with the application, the file manager requests the documents and the file is returned to the applicant as incomplete.

If the subject property is a commercial property, an onsite energy evaluation is required as well as a lender consent form signed by all applicable lien holders. Proper organizational documents, such as articles of incorporation or operating documents are also required to verify who may enter into financial agreements, and therefore must also be submitted with the application.

II.3. Application Processing

Once the review of the Intake Checklist is complete, the file manager uses an Excel spreadsheet with formulas embedded called the SCEIP Calculator to calculate what the annual percentage rate will be, the finance charge and finance amount, the total amount the applicant will pay over the life of the assessment, the number of payments selected and the amount of the assessment that will be included for each property tax installment. This information is then populated into the Truth in Lending Disclosure Statement (TILA) which is provided to the applicant along with a PG&E Authorization to Receive Customer Information or Act Upon A Customer Behalf form (PG&E form). At this time, the \$125.00 Title Fee is also collected. A cover letter is also provided which includes a checklist at the top for the items that need to be completed and returned in order to advance the application in the review process, one of the items is a check to pay the title search fee. The applicant has 14 days from the date of issuance to return the documents and payment or the application is required to be returned.

An Application spreadsheet was created by the SCEIP staff to assist with tracking the progress of an applicant throughout the process. The Application spreadsheet has a pre-populated column with sequential numbers which will be assigned as the SCEIP tracking number for the applicant file. The Application spreadsheet also includes columns to populate whether the property is residential or commercial, who the file manager assigned to the applicant is, the property owner name(s), the date the application was received and current status, the type of improvement requested, and the requested financing amount to name a few. The File Managers populate the Application spreadsheet with all of the information reviewed at application intake and document the outstanding items remaining to advance the application in the process.

While the File Managers are awaiting the return of the TILA, PG&E form and title search payment, they are reviewing the contractor's information, including their California license number as well as their bid/proposal including the detailed list of materials with item specifications to be used. **The File Managers are reviewing to see whether the contractor is in good standing with the State as well as researching to see if there are any qualifying rebates for the products being purchased.** The File Managers are checking the manufacturer, California Energy Commission and PG&E websites for available rebates using the material specifications provided on the bid/proposal. Financing amounts are reduced by available rebate amounts regardless of whether the applicant intends to apply for the rebate or not.

After receipt of the TILA, PG&E form and title search payment, **the file manager contacts the title search service (Tax Sale Services of CA) to initiate that process** and scans all documents received into an applicant file. The file manager further populates the Application spreadsheet for the most recent items received.

The title search service performs their title search to reveal if there are any other mortgage type liens against the property, as well as federal or state income tax liens, judgment liens or similar involuntary liens that were not disclosed. The title search also reveals if the applicant has recently been or is currently in bankruptcy.

Once the title report is received detailing current liens against the property, **the File Managers review the previous lien to value calculation to make sure that there are no new liens identified in the Title Report that were not disclosed on the original application.** If there are new liens discovered, the file manager requests the most recent finance statement from the lender or reconveyance if the applicant states the lien had previously been paid off.

III. Contracts

III.1. Contract Approval

After the File Managers have determined that all required documents have been received, reviewed and qualify for the SCEIP program, **the File Managers complete the Recommend Approval form and the applicant file is given to the Administrative Services Officer (ASO) or the Department Analyst for review and advancement to the contract approval phase.**

The Recommend Approval form includes information such as the property owners name, address, the property APN, the improvement projects on the application and the their respective per unit costs and rebates, the terms of the payback, how many disbursements they want, whether the project meets the 10% of property value criteria and whether the LTV is acceptable just to name a few.

The ASO and Department Analyst have the authority to approve applications up to \$59,999.99. Beyond that and up to \$499,999.99, the application must go to the SCEIP Steering Committee for approval. Applications greater than \$499,999.99 must go to the Board of Supervisors for approval.

The ASO or the Department Analyst review the Recommend Approval form for math accuracy (LTV and 10% of home value project costs) and to compare the information listed with that on the Title Report, contractor bid/proposal, and if applicable, the trust or

Articles of Incorporation documents to ensure that all information is accurate. They also review the file one more time to make sure that all required documents have been completed and included in the file and that all payments have been received. They also make sure all 6 spreadsheets utilized by the SCEIP program have been populated with the correct information.

After application approval is granted, the Department Analyst updates the DB Applications spreadsheet and the Recommend Approval form in SharePoint to show approved. The Department Analyst sends an email to the File Managers notifying them of the approved applications. The Department Analyst places the applicant file into the Ready for Post Approval file cabinet drawer for the File Managers to pick up. In addition, the Department Analyst creates the Assessment Contract and Implementation Agreement including all Exhibits, as well as the Notice of Right to Cancel and Request for Disbursement forms. These documents are all uploaded to the file's SharePoint folder and copies are printed out, placed in the file Contract Folder and the folder is given to the assigned File Manager.

The File Managers pick up their applicant file and create a Notice of Application Approval letter to be sent to the applicant. Once the contract file is created, the file manager calls the applicants to schedule a contract signing with the in-house Notary service.

III.2. Contract Signing

When the applicant arrives for contract signing, the store front staff contacts the notary, who is also a File Manager, letting them know the applicant(s) are ready for contract signing. The notary greets the applicant(s) and brings them to a quiet contract signing room where a notary binder is prepared. The applicant(s) provide their drivers license and a thumb print for the notary binder as well as a check for payment for the recording fees due. The applicant(s) are issued an Official Sonoma County Receipt as record for their payment.

The notary goes over Exhibit A of the Assessment Contract which provides the owner(s) name, term of the contract, the type of disbursement requested (either single or multiple), the physical location of the property and the APN number. The notary also reviews Exhibit B of the Assessment Contract which spells out the estimated gross payout and repayment terms. The applicant(s) initial both Exhibits A & B and signs the Assessment Contract Acknowledgement form which is notary stamped and signed. A copy of the Assessment Contract is filed and recorded at the Recorders Office.

Next the notary goes over the Implementation Agreement. The Implementation Agreement does not have an Exhibit B but there are areas that must be initialed by the applicant(s) and the Assessment Contract Acknowledgement form must be signed which is also notary stamped and signed. Both the Assessment Contract and Implementation Agreement are maintained with the applicant's file.

Once the Implementation Agreement has been signed, the notary goes over the Notice of Right To Cancel form which outlines the applicant(s) right to cancel the transaction and the steps necessary to do so. Once comfortable with terms, the applicant(s) signs the form.

Next, the notary goes over the Request for Disbursement form. The Request for Disbursement form is prepared by the applicant(s) at the time of project completion and includes the listing of

required documents necessary to disburse the funds and the calculation of the final assessment amount to be bonded.

After the applicant signs the contracts, the File Manager waits the 3-day Right of Rescission time period plus one additional business day to send the Notice to Proceed to the applicant letting them know they may begin work on the project.

IV. Assessments

IV.1. Assessment Preparation and Recordation

By the following Monday, the original contracts signed by the applicants the previous Monday thru Friday are sent via courier to the Special Assessment Supervisor of the ACTTC Property Tax Division.

Prior to the receipt of the original signed contracts, the Special Assessment Supervisor accesses the Contract Signings spreadsheet prepared by the SCEIP File Managers which is located on the SCEIP General Services SharePoint site to identify any newly signed contracts. The Special Assessment Supervisor then accesses the Report Package for each of the newly identified applicants on the Contract Signings spreadsheet which are also located on the SCEIP General Services SharePoint site.

The Report Package is prepared by Tax Sale Services of California and includes documents related to the property Title research. These documents include the Vesting Deed, any outstanding Trust Deeds, a copy of the parcel map, a Bankruptcy research report, the Contract Report, and any other relevant documents. The Special Assessment Supervisor obtains the correct owner name(s) and APN from the Contract Report and copies and pastes the Legal Description from this report to create an Exhibit B for each of the properties with new contracts.

Exhibit B is the Identification Of Owners and Property Description exhibit that is part of the overall document to be recorded at the Recorder's Office pertaining to the SCEIP assessment.

After preparing all Exhibit B's, the Special Assessment Supervisor accesses the SCEIP Vendor Number Listing spreadsheet located on the ACTTC SCEIP SharePoint site and adds a row for each new signed contract. **Each new row gets assigned a new vendor number for the applicant and is based on a sequentially numbered methodology.** If an applicant has a second project for the same property, the Special Assessment Supervisor uses the vendor number from the first project, rather than create a duplicate for the same owner. At a later point in time, an Account Clerk III of the ACTTC accesses the SCEIP Vendor Number Listing spreadsheet in order to establish the vendor number within FAMIS. The applicants have to be assigned a vendor number within FAMIS in order to receive disbursement once the project is complete.

Before recording the assessment at the Recorder's Office, the Special Assessment Supervisor waits at least three days after the signing of the contracts as the SCEIP program provides a three day right of rescission after contract signing.

After the three days have passed, the Special Assessment Supervisor creates an Exhibit A and a Notice of Assessment.

The Exhibit A includes the SCEIP file number, the APN, the record owners name(s), the total assessment for each property, the contract sign date and the respective page number of the Exhibit B within the recording package. The information on the Exhibit A is copied from the SCEIP Vendor Number Listing spreadsheet.

The Notice of Assessment is a legal document that details the fact that the County, and the record owners of the real property, entered into an assessment contract to finance the acquisition and installation and/or construction of certain distributed generation renewable energy sources and/or energy efficient improvements, including water efficiency improvements. The Notice of Assessment gives notice that the assessment contract and other pertinent documents are recorded in the offices of the Administrator and an Assessment Diagram is recorded with the Clerk of the Board, as provided for in California Streets and Highways Code.

The Notice of Assessment also explains that the name(s) of the record owners of the properties, along with the property descriptions, are shown on the attached Exhibit B. Notice is further given that upon the recording of the Notice in the office of the County Recorder of the County of Sonoma, the assessment assessed on the property shall become a lien upon the property.

The Notice of Assessment must be signed by the Clerk of the Board before it can be recorded at the Recorder's Office. The Special Assessment Supervisor brings the Notice of Assessment to the County Administrator's Office for signature.

The County Recorder charges a fee to record documents and therefore the Special Assessment Supervisor creates a Recording Fees worksheet using all of the information provided on the Exhibit B's to determine what the charges will be. The Recording Fees worksheet identifies the property owner name(s), the Special District Number (SCEIP), the APN, and the calculation of fees to be incurred for recording the Notice of Assessment and for recording the actual assessment against the properties. The Recording Fees worksheet along with a White Claims form is submitted to the ACTTC Claims section to generate the warrant that will be used to pay the fees at the Recorder's Office for the most recent signed contracts.

After the Special Assessment Supervisor receives the signed Notice of Assessment back from the County Administrator's Office and the warrant from the ACTTC Claims section, the Special Assessment Supervisor takes the Notice of Assessment documents to the Recorders Office for recordation.

V. Request For Disbursement

V.1. Receipt of Request for Disbursement

After the Notice of Assessment has been recorded, the File Managers will await the receipt of the Request for Disbursement form, along with the final signed off building permit and vendor/contractor invoice(s) from the applicant upon completion of the work.

Once the Request for Disbursement is received, the File Managers review the form, calculate the accrued interest and bonding amount and populate those fields on the form. File Managers also complete information in the Application and Fees and Disbursement databases. Copies of the Request for Disbursement form, final invoice(s) and final, signed off building permit(s) are given

to the customer. Originals are scanned into the SharePoint folder and emailed to the ACTTC Accountant I for processing.

V.1.1. Request for Disbursement ACTTC Review

The Accountant I reviews the Request for Disbursement by comparing the requested amount against the signed copy of the contract uploaded at the SCEIP SharePoint site to ensure that the requested amount is less than or equal to the “not to exceed” amount identified in the contract. The amount of the request is also reconciled with the total of all invoice(s) received with the Request for Disbursement to support the amount of the request.

The Accountant I compares the applicant’s capitalized interest calculation on the Request for Disbursement form with the capitalized interest amount calculated using the SCEIP Calculator spreadsheet. The Accountant I also confirms that the Field Inspection Record is included and has been initialed by PRMD confirming the project was completed.

After confirming that the Request for Disbursement is complete and accurate, the Accountant I continues populating the Vendor spreadsheet located on the ACTTC server with the disbursement request amount as well as all fees and capitalized interest amounts to come up with the bond amount.

V.1.2. Assessment Settlement and Transmission

Using the information from the Vendor spreadsheet, the Accountant I creates the Final Assessment Settlement Statement which identifies the property owner’s name(s), the property location, the settlement charges and the assessment amount. Two copies are created, one for the applicant and one accompanies the payment support submitted to the Claims Section of the ACTTC for check disbursement.

Also at this time, the Accountant I creates the Assessment Transmission spreadsheet. The Assessment Transmission spreadsheet is created once a month after all Request for Disbursements have been received. The spreadsheet includes all of the owners’ names, SCEIP file numbers, APNs, Disbursement, Assessment, Capitalized Interest and Bond amounts, as well as the funding date and interest rate by repayment term.

The Assessment Transmission spreadsheet is sent to the title search service to perform a final title search of the property to ensure that no additional liens or bankruptcy notice(s) have been filed against the property or applicant(s), to Solis Capital to assist with marketing the SCEIP bonds to potential investors, and to NBS for creation of the repayment schedules for each applicant included on the spreadsheet. **The Assessment Transmission spreadsheet is also sent to the SCEIP storefront staff to check for completeness.**

NBS is Sonoma County’s existing outside vendor that owns the software system that tracks the Special Assessment bonds. NBS provides annual services for managing the creation of the charges to the tax roll for each SCEIP 'District', for assessment prepayments/payoffs, individual property assessment records, and bond records. The repayment schedules provided by NBS are applicant specific and include the property id, property owner name(s), APN, assessment id, all bill dates with applicable interest rates, outstanding balances and the amount of principal and interest applied per payment.

V.1.3. Bonding Summary

The Accountant I also creates a Bonding Summary spreadsheet which is sent along with the above created Assessment Transmission spreadsheet to Richards Watson & Gershon (RWG), the bonding attorneys performing the bond issuance. The Bonding Summary is the Exhibit A from each applicant's contract after contract signing and therefore includes the contract signing date and the amount funded. As noted above, the Exhibit A includes the owner's name, property address, APN, single or multiple disbursement request and term of agreement.

Along with the Bonding Summary, **the Accountant I also sends RWG the first two pages of the Request for Disbursement received from each applicant so RWG can compare the data between the sources to ensure the information is complete and accurate.**

Once the documents are compared and confirmed as accurate, RWG utilizes the information received to prepare the bond closing documents, which includes the Exhibit A - Assessment Contract Schedule of the Loan Agreement between the County of Sonoma and the Sonoma County Public Financing Authority.

RWG emails the completed bond closing documents and bond templates (to be printed on green security paper) to the Accountant I who then must route the **documents for signature by the Secretary, Treasurer, and Chair (or Vice-Chair) of the Sonoma County Public Financing Authority, as well as the Auditor-Controller-Treasurer-Tax Collector and Clerk of the Board from the County of Sonoma.** After all closing documents are signed, the signature sheets are scanned and saved electronically and the originals are sent back to RWG. The bonds are then printed and scanned and the originals are given to the Treasury and the scanned copies are emailed back to RWG.

V.1.4. Disbursement Preparation

On the final business day of the month after all documents have been created and sent to the respective parties, the Accountant I prepares the white claim forms for each applicant's Request for Disbursement received. The Accountant I utilizes an input claims spreadsheet template that automatically populates the white claim forms in blocks of ten (10). Before printing the generated white claim forms, **the Accountant I compares the calculated amounts on the input claims spreadsheet with Assessment Transmission spreadsheet to ensure complete and accurate data.** The white claim forms are coded against the Public Financing Authority Loan Fund Revenue Bonds Payable account.

For each applicant's white claim form printed, the Accountant I also prints the applicant's Final Assessment Settlement Statement, the Request for Disbursement and both the signature page and the not to exceed disbursement amount page from the signed SCEIP Assessment contract to be included as payment support to the Claims Section.

V.1.5. Warrant Disbursement

On the first of the month after the claims have been processed, the warrants are routed back to the Accountant I who attaches them to the applicant's Settlement Statement and Repayment schedule and then places them all in a folder in alphabetical order. All of this support is then provided to an Account Clerk II for disbursement to the applicant at the main counter of the ACTTC Office.

The Request for Disbursement form has two boxes that the applicant can check; Pickup Disbursement – Available after 3PM on the first business day of the month at the Auditor-Controller Treasurer-Tax Collector’s Office or Mail Disbursement – All funds will be mailed on the first business day of the month unless pickup requested. **When the applicant arrives to pick up their warrant, they must provide their photo ID** which is then copied with the Settlement Statement and that copy is retained for the applicant file and the original along with the Repayment Schedule and warrant are provided to the applicant.

VI. Recordation

VI.1. Bond Recordation

Also on the first of the month, the Accountant I provides a copy of the Assessment Transmission to the Treasury Manager as support for the bond purchase.

The Treasury Manager issues a check from the main Bank of America account to fund the notes. The disbursement is recorded on the Treasury Daily Bank Transaction spreadsheet and entered into the SunGard Cashiering Module at the end of the day. The SCEIP note is keyed into the SunGard Portfolio Module.

The Accountant I prepares a deposit authorization form to deposit the check from the Treasury into the PFA Loan Fund, the fund for which disbursement claims are paid from.

VI.2. Payable and Receivable Recordation

A journal voucher is also prepared setting up the payables and receivables in the SCEIP Special Funds and PFA Debt Service Funds by subsidiary (calendar year/tax year/repayment term). Any fees, deferred revenue (capitalized interest), or balances on a partial disbursement are transferred from the Loan Fund to the applicable account. Fees are transferred to program fund revenue. Capitalized interest is transferred to program fund deferred revenue (GL 221). Balances from partial disbursements are transferred to the PFA Escrow Fund.

The Accountant I reviews and reconciles the journal vouchers with FAMIS to ensure that the transactions were booked accurately.

VI.3. Assessment Recordation

All properties that receive SCEIP disbursements between October of one year and September of the next are added to Megabyte in order to be included in the current year’s tax roll. The data files used to create the new assessments are sent from NBS to the Property Tax Division and include the APNs and respective assessment dollar amounts. The files are imported into Megabyte by tax code and **are reviewed after import to ensure the transfer was complete and accurate as part of the normal tax roll extension process.**

VII. Early Assessment Payoff, Withdrawn, Expired Contracts

VII.1. Early Assessment Payoff

Applicants do have the ability to payoff their assessment before the repayment period of the contract. Applicants cannot make partial payoffs, they can payoff the entire amount or continue to make their annual assessment payments.

If an applicant does choose to make an early payoff, the applicant contacts NBS for a payoff amount. **NBS generates a payoff quote which is good up until the “good through” date identified on the payoff** and directs the applicant to remit payment to the attention of the Accountant I. NBS also provides a copy of the payoff quote to the ACTTC Special Assessment Supervisor and Accountant I for informational purposes as to potential upcoming assessment payoffs.

The Accountant I receives a check or wire notification for assessment payoff and notifies the Special Assessment Supervisor and NBS so they can start their processes. If a wire transfer is preferred, the Title Company, bank, or the customer calls the Accountant I for the wiring instructions. **The Accountant I compares the amount of the payment received with the payoff quote from NBS.** If no payoff quote was provided, the Accountant I calls NBS for a copy.

If the payment amount received is greater than the payoff amount due, a refund is issued.

If there is an underpayment of \$10.00 or less the difference is transferred by JV to the applicable debt service fund sub-object 1001.

If the underpayment is more than \$10.00, the participant and/or title company is notified. There is a shortage letter template that can be used in addition to the phone call or email and a copy of the payoff quote is sent with the letter. If the additional funds necessary to make the payoff are not received within the time period identified on the payoff quote, another quote will need to be requested from NBS and the participant and/or title company will have to be notified again.

The Accountant I prepares an interest calculation template and forwards that to the Treasury for confirmation of the amount of interest due. Once the interest is confirmed, the Accountant I prepares a Deposit Authorization form to deposit the funds received and a white claim form to process the warrant used to pay the Treasury. A journal voucher is also processed to reduce the receivable and payable amounts recorded in the Debt Service Fund and SCEIP Special Fund and to record interest revenue and interest expense.

After the transactions have been posted to FAMIS, the Accountant I performs a reconciliation to ensure that all amounts were recorded completely and accurately.

NBS uses the payoff information to record the transaction in their system and removes the payoff from the appropriate bond.

VII.2. Withdrawn Contract

Applicants do have the ability to withdraw from the program prior to project funding if they choose to and on occasion an application can expire due to missing the project completion deadline specified in the contract.

If an applicant calls the SCEIP Storefront staff to request to be withdrawn from the program, the staff requests the applicant to submit a written request and the reason why. Applicant requests that are received via email or fax are considered to be in written format. Once the request is received, the Storefront staff sends a letter of acknowledgement and depending on where the applicant is in the process, a request for the fees to remove the lien at the Recorder's Office may be included.

If the application did not make it to the signing stage where the lien would have been recorded, a copy of the customer request and subsequent acknowledgement letter is uploaded to the applicant's SharePoint file and the contents of the applicant's hard file are shredded 14 days later. All of the records are maintained electronically in the applicant's respective SharePoint file where subsequently all spreadsheets are updated by the File Managers with the withdrawal status and the applicant's folder is moved to the "Withdrawn" folder in SharePoint.

If the application did make it to the contract signing phase where a lien would have been recorded against the property, SCEIP Storefront staff notifies the Special Assessment Supervisor after updating the applicant's files as described above. Please refer below for the Special Assessment Supervisor process regarding removal of liens.

VII.3. Expired Contract

On occasion the SCEIP Storefront staff reviews the expiration dates on open contracts. When a contract is identified with an upcoming expiration date, the SCEIP Storefront staff contacts the applicant to let them know that their contract expires in X number of days. The applicant is given the opportunity to request a one-month extension. **In order for the extension request to be approved, the applicant must provide current mortgage statements (with no late payments) and verification that their property taxes are current.** If the applicant does not respond or does not request an extension, the SCEIP Storefront staff sends the applicant a letter notifying them that their contract is being cancelled and their documents will be shredded in 14 days. An attempt is also made to recover the fee the Recorder's Office charges for recording the removal of the lien.

Once it is confirmed that the contract is being cancelled, all spreadsheets are updated by the File Managers to identify them as withdrawn and a copy of the cancellation letter is uploaded to the applicants SharePoint file where the file is then moved to the SharePoint "Cancelled" folder. The physical file is shredded.

VII.4. ACTTC Procedures

VII.4.1. Early Payoff

The Special Assessment Supervisor takes the payoff information sent from the Accountant I and enters the paid date in bold red in Column C of the SCEIP Vendor Listing spreadsheet. The Special Assessment Supervisor then inputs the File number, APN and Record Owner data into the SCEIP Release Exhibit A. Exhibit A is an Excel spreadsheet used by the Recorder's Office to record the release of the lien. Exhibit A includes document reference information for the Notice of Assessment for all contracts, and also for the separately recorded Payment of Contractual Assessments signed after December 31, 2009. Exhibit A is recorded along with the Addendum to Notice of Assessment S&H #3114.3. **The Addendum to Notice of Assessment S&H #3114.3 must be signed by the County Treasurer or their designee before the lien removal can be processed.**

For properties that have charges on the current years' tax roll, the Special Assessment Supervisor contacts the Accounting Assistant in the Property Tax Division for removal of one or both installments since unpaid installments are included in the payoff amount.

The Special Assessment Supervisor prepares and signs a Request for Auditor to Remove-Correct-Add Direct Charges on the Secured Tax Roll form and provides the form to the Accounting Assistant. The form identifies the date of the request, the tax code (97002 is SCEIP), the tax roll year, the City/District (in this scenario it would identify SCEIP and number of repayment years), the APN, the original charge amount (which is the annual assessment amount), the corrected charge amount, which would equal zero, and the net change.

The Accounting Assistant logs into Megabyte to determine if a payment has been made in the current year, if the requested tax code is correct and what the recorded SCEIP total amount is. The Accounting Assistant accesses the Roll Change Function, Auditor Roll Change Program to make the adjustment. The Accounting Assistant inputs all information from the Request for Auditor to Remove-Correct-Add Direct Charges on the Secured Tax Roll form and hits the Process Button. After selecting the Process Button, Megabyte takes you to the Direct Charge Maintenance Screen which identifies all of the direct charges for that APN. If both charges are being removed the Accounting Assistant selects the New Amount column and zeros out the balance. If just the second installment is being removed, the Accounting Assistant selects the Tax Code Maint button. This will once again bring up all the available direct charges available to change. **Once the charges have been changed and saved, the Accounting Assistant selects the TC Inq button to view the results of the changes. Once the Accounting Assistant has the desired result, the direct charge amount has been removed and the new tax bill has the correct amount to bill, the Accounting Assistant selects the Book It button which officially books the change to the Tax Roll.**

Similar to the initial assessment recordation, the Special Assessment Supervisor needs to present a white claim form to the Claims Section in order to receive a warrant to pay the Recorder's Office for processing the release of the lien.

VII.4.2. Withdrawn or Expired Contracts

The Special Assessment Supervisor is notified by the SCEIP Storefront staff when either a withdrawal from a previously signed contract is confirmed or contract expiration occurs.

The Special Assessment Supervisor opens the SCEIP Vendor Number Listing spreadsheet and moves the identified property to the bottom of the sheet and turns it red as opposed to merely inserting the paid date in red for early payoff treatment.

Because both of these scenarios would cause a release of the previously placed lien, the Special Assessment Supervisor and Accounting Assistants' process for withdrawals and expired contracts is the same process as that for early payoffs and therefore will not be documented again.

VIII. Final Steps

VIII.1. Store Font

Once a file is confirmed as completed and disbursed, the SCEIP Office staff closes the file by verifying all documents are in place and in order and the file is sent to Records for retention.

VIII.2. ACTTC

In order to retain the historical data, the Special Assessment Supervisor maintains a SCEIP Lien Release Log which details the history of lien releases to date. The SCEIP Lien Release Log identifies whether the event was a payoff, withdrawal or cancellation, the original lien recordation date, the strip date (when appropriate), the release date and the release document number.

IX. Closing Statement

We would like to thank the SCEIP Front Office staff including Diane Lesko, Gina Lehl, Cecilia Davis, Barb Neal and Dori Estrella, as well as the ACTTC staff including Nikki Barnes, Meredith Mahall, Earl Gwynne, Rex Dengler and Barbra Boyd for all of their hard work and assistance in making this a successful review.

As noted in the Auditor-Controller's Documentation of Procedures Report, with the addition of the newly awarded State grant, the narrative should be revisited next fiscal year to ensure that the processes as written are accurate and that the internal controls within those processes are designed effectively.