



**Office of the Internal Auditor  
City of Providence**

August 27, 2020

Council President Sabina Matos  
City of Providence  
25 Dorrance Street  
Providence, RI 02903

Dear Council President Matos:

I am writing to formally submit to the City Council the review of the compliance of Rhode Island General Law Section 34-13-7 (c) General Recording Fees and the required 10% dedication to document preservation and technological upgrades.

It was brought to my attention that the City has not followed the law since it was approved on July 15, 2003. This report will confirm that the city is in violation of the state law and it provides recommendations to correct the noncompliance.

Sincerely,

A handwritten signature in blue ink that reads "Gina M. Costa".

Gina M. Costa  
Internal Auditor

IN CITY COUNCIL  
MAY 6 2021

READ  
WHEREUPON IT IS ORDERED THAT  
THE SAME BE RECEIVED.

A handwritten signature in blue ink, likely of the City Clerk, over a horizontal line.

CLERK

## BACKGROUND:

General Recording Fees are regulated by state statute. In July 2003, the State increased the recording fees substantially via the budget, Chapter 376 2003—H6174, “An Act Relating to Making Appropriations for the Support of the State for Fiscal Year Ending June 30, 2004”. Included in the budget, was an additional section, SECTION 10, that required that 10% of the recording fees be directed to document preservation and technological upgrade.

## SUMMARY:

The Office of the Internal Auditor has reviewed compliance with Rhode Island General Law Section 34-13-7 (c) passed on July 15, 2003 which states, “Ten percent (10%) of the recording fees provided for in this section shall be utilized by each city or town for the purposes of document preservation and technological upgrades”. After completion of the review, it has been determined that the law requiring 10% of the recording fees has not been achieved since its creation in July 2004. For the period of July 1, 2003 (Fiscal Year 2004) through June 30, 2020 (Fiscal Year 2020), the City of Providence collected approximately \$25,123,565 in recording fees and expended approximately \$1,834,210 in the digitization of records, or 7.3% of revenue. The amount to achieve the 10% or, 2.7% of the revenue is approximately \$678,147. The City contributed as little as 3.55% in FY2009 and as much as 9.63% in FY2006.

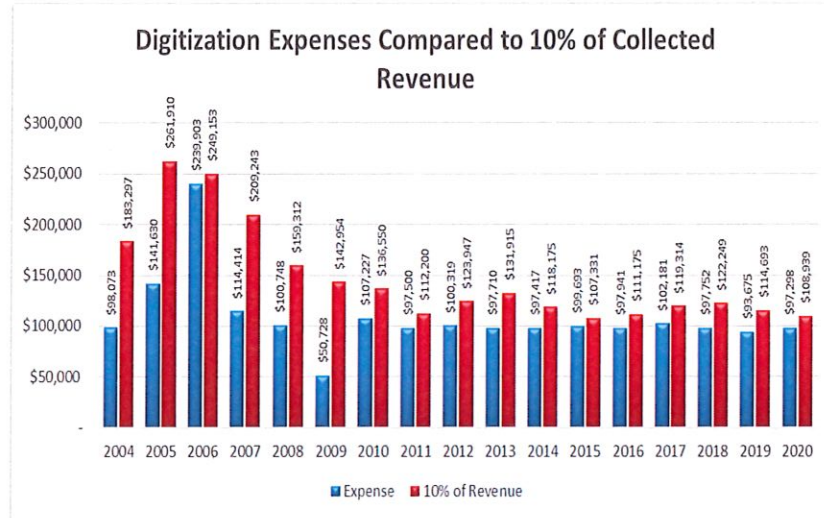
## RECOMMENDATIONS:

1. Create an account dedicated to R.I.G.L. 34-13-7 (c).
2. Deposit \$666,506 immediately to this fund.
3. Deposit \$11,641 to the fund upon FY2020 audit completion.
4. Begin digitizing records from August 2004 to years previous using newly created fund.

## FINDINGS:

According to the current Recorder of Deeds, the department began digitizing records in August 2004. The Board of Contract and Supply awarded the first contract on January 5, 2005. Although the City began digitizing, it was not the full percentage required by State law. Chart 1 shows the difference of expenses versus the required ten percent (10%) of revenue. You will find that the

Chart 1.



10% requirement is never achieved. Compliance requires additional funding.

Table 1. below shows the actual percentage that the city did attain for digitization of records, based on the revenue collected. It also shows the total amount that the city would need to dedicate to digitization to be in compliance with RIGL 34-13-7 (c) is \$678,147.

Table 1.

RECORDER OF DEEDS FEES				
Fiscal Year	Account Expenses (53401/52210)	10% of Revenue	% of Revenue Required for Digitization	Variance* 10% of Rev - Acct Expense
2004	\$98,073	\$183,297	5.35%	\$85,223
2005	\$141,630	\$261,910	5.41%	\$120,280
2006	\$239,903	\$249,153	9.63%	\$9,250
2007	\$114,414	\$209,243	5.47%	\$94,829
2008	\$100,748	\$159,312	6.32%	\$58,564
2009	\$50,728	\$142,954	3.55%	\$92,226
2010	\$107,227	\$136,550	7.85%	\$29,323
2011	\$97,500	\$112,200	8.69%	\$14,699
2012	\$100,319	\$123,947	8.09%	\$23,628
2013	\$97,710	\$131,915	7.41%	\$34,205
2014	\$97,417	\$118,175	8.24%	\$20,758
2015	\$99,693	\$107,331	9.29%	\$7,638
2016	\$97,941	\$111,175	8.81%	\$13,234
2017	\$102,181	\$119,314	8.56%	\$17,133
2018	\$97,752	\$122,249	8.00%	\$24,497
2019	\$93,675	\$114,693	8.17%	\$21,018
2020^	\$97,298	\$108,939	8.93%	\$11,641
<b>Totals</b>	<b>\$1,834,210</b>	<b>\$2,512,357</b>	<b>7.30%</b>	<b>\$678,147</b>
* Variance column shows that 10% can cover the cost of digitization, plus add'l money to be used as needed for additional digitization				
^ FY2020 is unaudited at the time of this review				



Recommendation 1: Create a fund dedicated to R.I.G.L. 34-13-7 (c)

The creation of a separate account provides the Recorder of Deeds with the ability to secure the 10% requirement for digitization of records. The account is not part of the general fund, therefore the funds are always available for this purpose exclusively.

After many conversations with the Finance Department over the last two years, they have agreed to create a separate account. At the time of this review the account has not been created.

Recommendation 2: Deposit \$666,506 immediately to this fund.

The City never achieved a 10% expense of digitization to revenue. The total amount owed to achieve compliance is \$666,506 for years FY2004 through FY2019. APPENDIX A shows the increase in recorder of deeds fees from the FY2004 State budget, Section 10 (pages 46 and 47 of the state budget document). Most of the fees doubled or even tripled in value.

The funds for this deposit should come from the cumulative surplus, since they were not utilized over the fiscal years and fell to the city's cumulative surplus or deficit.

Recommendation 3: Deposit \$11,641 to the fund upon FY2020 audit completion.

Upon completion of the FY2020 audit, the amount of \$11,641 should be deposited to the new account. The reason to wait for audit completion is to ensure that this number is accurate and has been properly posted.

However, going forward, quarterly amounts should be deposited in order to continuously have funding available for digitization. Only the fourth quarter should be delayed until audit completion to ensure accuracy.

Recommendation 4: Begin digitizing records from August 2004 to years previous using newly created fund.

Once this fund is created and properly funded, all expenses for digitizing should come from this fund, including the active third-party contractor for digitizing current records.

It should be determined if the current contract should be increased or possibly another vendor solicited to begin digitizing all records pre-August 2004. The City spent approximately \$1.8 million digitizing seventeen years, the \$678,000 should take care of digitizing another seven or eight years.

# APPENDIX A

## Chapter 376

### 2003 – H6174 SUBSTITUTE AS AMENDED

Enacted 7/15/03

## SECTION 10

SECTION 10. Section 34-13-7 of the General Laws in Chapter 34-13 entitled "Recording Of Instruments" is hereby amended to read as follows:

**34-13-7. General recording fees.** -- (a) The fees to the recording officers for recording the following described instruments relating to real estate shall be as follows:

Warranty deed	<del>\$25.00</del>	<u>\$80.00</u>
Quitclaim deed	<del>25.00</del>	<u>80.00</u>
Deed of executor, administrator, trustee, conservator, receiver or commissioner	<del>25.00</del>	<u>80.00</u>
Mortgage	<del>25.00</del>	<u>60.00</u>
Partial release of mortgage	<del>10.00</del>	<u>45.00</u>
Assignment of mortgage	<del>10.00</del>	<u>45.00</u>
Foreclosure deed under power of sale with affidavit	<del>25.00</del>	<u>80.00</u>
Lease	<del>25.00</del>	<u>60.00</u>
General assignment	<del>10.00</del>	<u>45.00</u>
Discharge of mortgage	<del>10.00</del>	<u>45.00</u>
Discharge of attachment or execution	<del>4.00</del>	<u>45.00</u>
Any other instrument not otherwise expressly provided for by statute	<del>10.00</del>	<u>45.00</u>
Lien - Federal tax	<del>4.00</del>	<u>7.25</u>
Lien - Federal tax, discharge of	<del>4.00</del>	<u>7.25</u>
Maps, plats, surveys, drawings (not attached to or a part of another recordable instrument)	<del>30.00</del>	<u>45.00</u>
Bill of sale	<del>25.00</del>	<u>45.00</u>
Power of attorney	<del>10.00</del>	<u>45.00</u>
Lis pendens	<del>10.00</del>	<u>80.00</u>

(b) The recording officers shall be allowed to charge a rate of one dollar (\$1.00) for each additional page or fraction over.

(c) Ten percent (10%) of the recording fees provided for in this section shall be utilized by each city or town for the purposes of document preservation and technological upgrades.