



COUNTY OF HUMBOLDT

AGENDA ITEM NO.
C11

For the meeting of: February 6, 2018

Date: January 29, 2018
To: Board of Supervisors
From: Amy S. Nilsen, County Administrative Officer *AN*
Subject: Auditor-Controller Management and Accounting Review

RECOMMENDATION(S):

That the Board of Supervisors:

1. Direct the County Administrative Officer to secure an independent firm(s) with organizational and accounting expertise to conduct a management and accounting review of the Auditor-Controller's Office pursuant to Government Code Section 25303; and
2. Direct the County Administrative Officer and Auditor-Controller and their staff to participate in a management and accounting review.

SOURCE OF FUNDING:

1100 General Fund

DISCUSSION:

Prepared by Amy S. Nilsen CAO Approval *E. B. Hayes*

REVIEW: Auditor *M. Hall* County Counsel _____ Human Resources _____ Other _____

TYPE OF ITEM:
 Consent
 Departmental
 Public Hearing
 Other _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
Upon motion of Supervisor *Wilson*, Seconded by Supervisor *Bass*
Ayes *Bass, Fennell, Sundberg, Bohn, Wilson*
Nays _____
Abstain _____
Absent _____

PREVIOUS ACTION/REFERRAL:

Board Order No. _____
Meeting of: _____

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: 2/6/18
By: *Kathy Hayes*
Kathy Hayes, Clerk of the Board

On Nov. 7, 2017 staff from the Auditor-Controller's Office spoke to your Board about being "severely understaffed" and that because of understaffing they may be unable to detect "unethical and fraudulent financial activity." Further, in an article published in local media on Nov. 17, 2017 Auditor-Controller staff made further statements that "the county isn't following proper accounting and budgeting procedures." The media report also alleged mismanagement within the office itself.

These are serious claims and your Board, as well as the Auditor-Controller, are vested in preventing any fraudulent use of public funds, as well as ensuring proper adherence to accounting and budgeting procedures. While the Auditor-Controller is an independently elected official with his own duties and responsibilities to citizens, Government Code Section 25303 provides boards of supervisors with "supervisory" power over all county officers, including elected officials, to ensure that faithful performance of those duties is occurring.

California Government Code goes on to state "The board of supervisors shall supervise the official conduct of all county officers...and particularly insofar as the functions and duties of such county officers...relate to the assessing, collecting, safekeeping, management, or disbursement of public funds. It shall see that they faithfully perform their duties, direct prosecutions for delinquencies, and when necessary, require them to renew their official bond, make reports and present their books and accounts for inspection."

In light of the above information, staff recommends your Board secure an independent firm(s) with organizational and accounting expertise to perform a management and accounting review of the Auditor-Controller's Office. In addition, staff recommends that your Board direct the Auditor-Controller and his staff to participate in the review.

It should be noted that your Board has taken several actions in recent years that have increased staffing, increased wages for Payroll staff and provided technology improvements for the Auditor-Controller's Office. Action your Board has taken to support the Auditor-Controller's Office includes:

- Nov. 3, 2015 agenda item M-1, your Board:
 - Allocated funding for a 1.0 full-time equivalent (FTE) Sr. Accountant Auditor in the Auditor's Office for succession planning as well as redundancy for the tax bill function. Funding for this position in the amount of \$89,021 came from the Tax Loss Reserve Fund;
 - Allocated \$25,000 to the Auditor-Controller for training and extra-help;
 - Allocated \$185,760 for One Solution (the county's accounting software) upgrades to bring efficiencies to payroll functions.
- June 28, 2016, agenda item C-10, your Board allocated a .50 FTE Senior Fiscal Assistant in the amount of \$48,940 to payroll to help with the increased workload Measure Z had created.
- April 18, 2017, agenda item C-1, your Board adopted new classifications for Payroll staff resulting in a pay increase in the amount of \$28,589.
- Nov. 7, 2017, agenda item C-15, your Board:
 - Approved an inter-departmental memorandum of understanding between the Auditor-Controller's Office and the Department of Health and Human Services (DHHS) for a 1.0 FTE Fiscal Assistant Sr/I/II from DHHS for increased Auditor-Controller services to DHHS and other county departments in the amount of \$64,625.
 - Approved \$9,500 for new computers and training for the Auditor's Office staff.

Even with your Board's allocation of the above resources, it is important to review the claims made by staff to ensure the county is in compliance with all laws and is transparent with all of its financial functions.

As a note, the duties of the Auditor Controller are set forth in Government Code sections 26880-26884 which provide:

- The Auditor-Controller to be the chief accounting officer of the county;
- Exercise a general supervision, including the ability to review departmental and countywide internal controls, over the accounting forms and the method of keeping the accounts of all offices, departments and institutions;
- Upon order of the Board of Supervisors, maintain such accounts and statistics and prepare such reports therefrom as the board may deem necessary for its information and use in the management and control of the operations of the county; and
- Upon direction of the Board, audit the accounts and records of any department, office, board or institution under its control and report on any such audit to the board of supervisors.

Further Government Code 26900, 26904, and 26905 states:

- “26900. The auditor shall examine and settle the accounts of any persons indebted to the county or holding money payable into the county treasury, and shall certify the amount to the treasurer. Upon the presentation and filing of the treasurer's receipt therefor, the auditor shall give to such person a discharge and charge the treasurer with the amount received by him.”
- “26904. The auditor shall keep accounts current with the treasurer, and when any person deposits with the auditor any receipt given by the treasurer for any money paid into the treasury, the auditor shall file the receipt and charge the treasurer with the amount.”
- “26905. Not later than the last day of each month, the auditor shall reconcile the cash and investment accounts as stated on the auditor's books with the cash and investment accounts as stated on the treasurer's books as of the close of business of the preceding month to determine that the amounts in those accounts as stated on the books of the treasurer are in agreement with the amounts in those accounts as stated on the books of the auditor.”

FINANCIAL IMPACT:

The cost for a management and accounting review is unknown at this time. Once a firm(s) has been selected staff will return with a supplemental budget.

This action supports the Board's Strategic Framework by safeguarding the public's trust by managing resources to ensure sustainability of services.

OTHER AGENCY INVOLVEMENT: None.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could not pursue a management and accounting review. This is not recommended as this would not provide resolution to the claims made by Auditor-Controller staff.

ATTACHMENTS:

None