

## GOVERNMENT & ADMINISTRATION COMMITTEE

### *County Fiscal Issues/Procedures*

Citizen Complaint #C23-02/03

#### **Reason for the Report**

A citizen's complaint alleges that the Board of Supervisors approved the County 2002-03 budget without adequately preparing for future cost increases and without addressing current deficits.

#### **Scope of the Investigation**

The Grand Jury interviewed the following persons:

- The Auditor/Controller, El Dorado County;
- The Account Manager, Department of Social Services;
- The Account Auditor, Auditor/Controller Office;
- The Former Interim Chief Administrative Officer (CAO), El Dorado County;
- The Former Auditor/Controller, El Dorado County;
- The Assistant Auditor/Controller, El Dorado County;
- The entire Board of Supervisors;
- The current Interim CAO.

The Grand Jury also reviewed the following items:

- Trust Fund Reconciled Per Department List for 2001-02;
- Various memos between the Auditor/Controller and the Department of Social Services;
- Various memos between the Auditor/Controller and Board of Supervisors;
- Various memos between the Auditor/Controller and the Interim Chief Administrative Officer;
- Memo's dated April 7, 22, and 23, 2003 from the Auditor/Controller to the Board of Supervisors, CAO, and the Grand Jury.

#### **Background**

The complaint alleges that the County has under funded CalPERS. If true this will significantly impact the County's financial condition in the years ahead. After interviewing the entire Board of Supervisors and the new Interim CAO, the committee has concluded that the CalPERS issue is

of major importance as the majority of the CalPERS revenues will be affected by retirements and compounded by the current downturn of the Stock Market. To date the CalPERS funding issue has not been fully resolved by the Chief Administrative Officer or the Board of Supervisors. To continue this course will result in bad news for taxpayers, since it means that the cost of basic government services will soar at the same time the services themselves are slashed.

The second issue addressed in the complaint is the County's trust funds deficit, which have not been resolved for 15 years.

Trust Funds are created for departments to operate particular programs that are often funded by State and Federal sources. In the late 1980s, an outside auditor discovered that the County trust funds were not being balanced and indicated that deposits may have been misplaced. In addition early handwritten ledger entries were incomplete. In the 1990s, an outside auditor noted that trust fund monies were missing. Currently, staff within the Auditor/Controller's Office is assigned to monitor the Trust Fund accounts. Neither staff in the various Departments nor the Auditor/Controller's Office have reconciled all accounts. The Auditor/Controller claims that the reconciliation of a trust fund is primarily the responsibility of the individual Department and the CAO.

The Board of Supervisors reviewed and agreed to transfer allocated monies during 2002/2003 for the deficit trust funds.

The Auditor-Controller's Office has not been consistent in the reporting of trust funds in deficit condition since 1988, and until January 2003 failed to help the departments reconcile these funds. Most County departments have Accounting Officer, but not professional accountants who would understand the technical scope of the work. Often the Departments allow accounting work to be performed by staff in a classification series that does not require extensive accounting background or education.

The Department of Social Services still has eleven deficit trust funds. This caused the Committee to investigate all trust funds in the County.

The Office of Risk Management is presently and appropriately under the direction of the CAO. Risk Management funds, on at least one occasion, have been used to balance the County budget. This appears to be a isolated incident.

### **Findings**

- F1. Required funding for CalPERS has dramatically increase due to legislative formulae.
- F2. The Department of Social Services still has eleven deficit trust funds.
- F3. The Auditor/Controller Office has not been consistent in the reporting of trust funds in deficit condition since 1988.

- F4. Most County departments have Accounting Officers, but not professional accountants who would understand the technical scope of the work.
- F5. The current Auditor/Controller knew of the alleged trust account deficit since 1995; obviously prior to requesting the Board of Supervisors to authorize covering the account deficit from General Fund monies (\$958,000).
- F6. The Board of Supervisors reviewed and agreed to transfer allocated monies during 2002/2003 for the deficit trust funds without a full investigation by the Auditor/Controller
- F7. All but the Department of Social Service have deficit trust funds that are now accounted for and balanced (See attached Addendum provided by the Auditor/Controller Office).
- F8. Funds allocated to Risk Management have on one occasion been utilized to balance the County budget.

### **Recommendations**

- R1. The CAO and the Board of Supervisors should immediately initiate a process to resolve the CalPers funding issue.
- R2. All financial issues, which have potential impact regarding the County's finances, should receive constant and sedulous attention from the Chief Administrative Officer and the Auditor/Controller's Office.
- R3. County Counsel and the Auditor/Controller should communicate on matters impacting the future of the County legally and financially with review and execution by the Chief Administrative Officer and the Board of Supervisors.
- R4. Director of Human Resources, the Auditor/Controller, and the Chief Administrative Officer should study and recommend to the Board of Supervisors a new job classification series that would encourage the recruitment of more qualified accounting personnel in the Departments.
- R5. Risk Management funds should not be used to balance the County budget.

### **Commendations**

The Grand Jury commends the Board of Supervisors' staff, the assistants, and the clerks for their fine cooperation and competence.

**Responses Required for Findings**

F1 through F8 El Dorado County Board of Supervisors  
El Dorado County Chief Administrative Officer

F1 through F7 El Dorado County Auditor/Controller  
F2 Director, Department of Social Services

**Responses Required for Recommendations**

R1 through R5 El Dorado County Board of Supervisors  
El Dorado County Chief Administrative Officer

R2 through R4 El Dorado County Auditor/Controller  
R3 El Dorado County Counsel  
R4 Director, Department of Human Resources