

ADMINISTRATIVE AND AUDIT/FISCAL COMMITTEE

It was the responsibility of the Administrative and Audit/Fiscal Committee to review the following boards, departments and agencies:

- Board of Supervisors
- Clerk of the Board of Supervisors
- County Administrative Office
- County Counsel
- Assessor
- Auditor/Controller-Recorder
- Treasurer-Tax Collector
- Information Services Department
- Superintendent of Schools
- County Fire Department
- Redevelopment Programs
- Special Districts
- Local Agency Formation Commission

Committee members attended the weekly meetings of the Board of Supervisors and reported on agenda topics to the full Grand Jury. These reports were sources of additional information for the Grand Jury.

Two complaints were received, reviewed, and acted upon.

The Administrative and Audit/Fiscal Committee was responsible for interviewing and selecting an outside audit firm to conduct any audits deemed necessary by the Grand Jury. Two firms were interviewed and a selection made. The Harvey M. Rose Accountancy Corporation conducted a limited scope management audit of the County Vehicle Services Department and Other User Departments. The Executive Summary of that audit is included in this final report.

The Administrative and Audit/Fiscal Committee established subcommittees to review the functions and operations of selected departments. Key staff members were interviewed and investigations were completed. The Administrative and Audit/Fiscal Committee makes the following findings and recommendations.

ASSESSOR

BACKGROUND

The County Assessor values all property that is not exempt by State or Federal law. The types of property assessed are vacant land, improved real estate, business property, manufactured homes, boats, aircraft and, as of May 13, 1999, certain electric generating plants that were deregulated, which are now assessed by the County of San Bernardino.

Proposition 13 (June 1978) requires the Assessor to appraise real property as of the date of the change in ownership or as of the date of completion of any new construction.

Since 1991 the San Bernardino County Assessor's Office has had to deal with budget reductions and economic recession that produced declining real estate values and increased assessment appeals.

FINDINGS

Since 1996 the State-County Property Tax Administration Program (PTAP), which is a State-administered loan program for county assessor's offices, has provided funds to fill the gap between inadequate resources and increased workload. This loan has totaled \$2,139,938 every year since 1996. The County entered into a loan agreement, or contract, with the State Department of Finance to enhance its property tax administration system, reduce backlogs of reassessments, maximize assessment capabilities, and accept limitations on use of the funding. Each contract has performance measures that must be met in order to have the loan amount forgiven. The Board of Supervisors elected to participate in PTAP, which was approved by the State Assembly to begin in 1996 and to end June 30, 2000. The State Legislature has not yet taken action to continue the PTAP, which would end June 30, 2001. Within County memos, this program is referred to as AB 818.

The loan of \$2,139,938 annually by the PTAP program has made it possible for the Assessor's Office to generate additional property tax revenues over the four-year period, for a total of \$9.3 million to the County General Fund.

The Assessor's Office has met the performance criteria as specified in the loan agreement every year, and the loans have been considered repaid.

Other financial benefits generated by this program include funding 29 new staff positions, upgrading of the computer system, and paying for operating costs of the Property Tax Administration Program.

Another benefit of PTAP was the funding of the Assessor's automated Property Information Management System (PIMS) which helps to manage the functions within the Assessor's office. The program continues to generate interest (\$200,000 to date) which the County has used to supplement the County General Fund. Other revenue is derived from added administrative fees collected by the County from local agencies (\$2.25 million to date).

The existing property tax computer system is a COBOL-based database, which originated in the 1970's and is both difficult and expensive to modify. The unsecured and secured assessment rolls are extracted separately from this database. The County maintains a Wide Area Network (WAN) for all County departments, and each of the Assessor's district offices has a Local Area Network (LAN) system. The database is currently being rewritten to accommodate the year 2000 and to enhance various assessment functions such as value input, property characteristics entry, building permit tracking, and declines and increases in value.

A combination of methods is used to assess real property including direct enrollment of the purchase price, some low value construction, desk reviews, computer assisted valuation analysis, and complete appraisals, including field inspections.

There is a 6 to 18 month period (10-month average) for the completion of the assessment roll. This time period is because of the calendar due dates, but some delays appear to be related to the age of the computer system and lack of personnel. Appraisal of new construction ranges from one to 15 months (seven-month average) and new decline in value assessment is one to seven months (three-month average).

Electric generating plants have been deregulated and it is now the task of the County Assessor to reassess these properties for their true value. San Bernardino County has four of these plants to evaluate and assess. The State Board of Equalization previously had the responsibility for placing a value on these plants. The County will conduct a study to determine the true assessed values of the properties.

RECOMMENDATIONS

- 00-01 BUDGET ADDITIONAL FUNDS FOR THE ASSESSOR'S OFFICE TO REPLACE MONIES EXPECTED TO BE LOST BY THE EXPIRATION OF THE PROPERTY TAX ADMINISTRATION PROGRAM (PTAP).
- 00-02 AGGRESSIVELY UPDATE THE ASSESSOR'S ENTIRE COMPUTER SYSTEM TO REDUCE DELAYS IN THE ASSESSMENT PROCESS.
- 00-03 REDUCE THE TIME IT TAKES FOR THE ASSESSMENT EVALUATION PROCESS.
- 00-04 FUND AND IMPLEMENT A PLAN TO PROMPTLY AND ACCURATELY ESTABLISH THE ASSESSED VALUE OF ELECTRIC GENERATING PLANTS WITHIN THE COUNTY.

COUNTY FIRE DEPARTMENT

BACKGROUND

The San Bernardino County Fire Department is responsible for fire protection and suppression in various County areas encompassing all unincorporated land within the County. In addition, 64 communities that have no independent fire departments contract with the County for their fire protection services. These entities are charged a fee for the services provided, which is negotiated between the city and County. The "Fire-Rescue Service Contract" shall provide for services that include fire prevention, fire investigation, fire suppression, and rescue services.

The department may provide fire suppression to other areas of the County or state when there is an emergency condition. All fire departments within the County have reciprocal agreements for assistance if the fire cannot be suppressed by one entity. California law mandates the conditions that provide for the reciprocal agreement.

On August 28, 1999 the County experienced a major fire which started in the San Bernardino National Forest. This fire was named the Willow Fire.

At the time the fire began many of the fire-fighting resources in the area had already been committed to assist with fires in Northern California. Some of the remaining resources in Southern California were committed to numerous other fires that also occurred on the same day.

FINDINGS

Agencies involved in fighting the Willow Fire were the California Department of Forestry, Bureau of Land Management, San Bernardino County Fire Department, and other Southern California county and city departments. All agencies were supported by the Southern California Operations Coordination Center. Fire officials have stated their fire fighting objectives were to give priority to humans and structures first and other property second. Fire fighting resources, including aircraft, tank engines, and fire crews were used.

The Grand Jury made a partial inspection of the Willow Fire area to ascertain the conditions and results of fire suppression. Observations made were:

- Many roads in the area were not identified by street signs or addresses.
- No firebreaks were visible in the area.
- Roads in many areas lacked proper maintenance.
- Some standpipes were not easily located.

The area observed varied from complete devastation to properties suffering little or no damage. Most of the dwellings spared by the fire had been cleared of debris surrounding the buildings, in accordance with local abatement programs.

Some roads in the area were too narrow to allow safe passage of automobiles or fire engines, endangering firefighters and causing potential loss of equipment.

Some of the strike teams were comprised of city fire engines designed primarily for use on paved roads. The engines with four-wheel drive and off-road capabilities were suited for mountain terrain.

Water availability was a critical issue in this fire. A review of several areas revealed that their systems are 40 years old, with many having water access from standpipes, not fire hydrants. Standpipes have to be accessed through a street valve that is located in a main line several feet into the roadway. Water is released into the standpipe when a special long-handled

tool is used to open a valve below the surface of the ground. In areas where hydrants have replaced standpipes, water is turned on at the top of the hydrant with a special standard wrench used by all fire departments.

The out-of-area fire departments do not routinely carry the special tool used to turn on the standpipes. Some units could not access the water and replenish their tankers or engine tanks.

Fifty percent (50%) of all County fire engines have exceeded the recommended operational life. Statements were made to the Grand Jury that the optimum operating life of engines is 15 to 20 years. Some vehicles in the County have been in operation for 30 years.

RECOMMENDATIONS

- 00-05 MARK OR PAINT ALL COUNTY HYDRANTS AND STANDPIPES WITH FLUORESCENT REFLECTIVE MATERIALS FOR EASIER IDENTIFICATION.
- 00-06 DEVELOP A PLAN TO ASSURE ALL FIRE UNITS RESPONDING TO A FIRE HAVE ACCESS TO ALL NON-STANDARD FIRE SUPPRESSION WATER SOURCES.
- 00-07 STRONGLY ENFORCE COMPLIANCE WITH THE PROPERTY ABATEMENT PROGRAMS.
- 00-08 GRADE ALL COUNTY ROADS IN HIGH FIRE-RISK AREAS PRIOR TO THE FIRE HAZARD SEASON.
- 00-09 INSTALL ROAD SIGNS AT CORNERS OF COUNTY ROAD INTERSECTIONS.
- 00-10 BUDGET FOR TIMELY REPLACEMENT OF FIRE ENGINES IN EXCESS OF THEIR USEFUL OPERATIONAL LIFE.

INFORMATION SERVICES

DEPARTMENT

BACKGROUND

The Information Services Department (ISD) provides computer services, local area network (LAN), wide area network (WAN), radio communication systems, and telephone systems for the 40-plus departments and the approximately 15,000 employees of the County of San Bernardino.

ISD provides all or some of the following computer systems services to all or some of the County departments: support of computer hardware and software, central computer room operation and support on a 24-hour basis, "Help Desk" support, desktop support, database management, application development and maintenance, computer systems security, and a number of related services.

The 1999-2000 County Budget and a departmental survey conducted by the Grand Jury indicates ISD is staffed with approximately 355 personnel. Most departments also have their own computer technical personnel.

FINDINGS

Not all County departments use the technical services of ISD. Most departments use LAN, WAN, and the central computer room services.

Many departments may, and do, purchase software directly from the vendor.

While most departments utilize Microsoft Windows as their basic operating system, numerous other software systems are installed on departmental equipment. ISD technical personnel may not be familiar with these systems and do not maintain them.

There is no standardized time schedule for computer equipment upgrades or purchases. Budgetary considerations appear to be the controlling factor for such expenditures. Many departments upgrade or purchase computer equipment without input from the Information Services Department.

There is a wide variety of computer hardware equipment within the County departments due to the absence of a centralized purchasing policy. Many departments purchase hardware from a selection of three or four

computer manufacturers that have been recommended by the County Purchasing Department.

The above findings indicate an overall lack of Countywide policy direction and technical requirement needs for computer systems utilized in County departments.

Some departments use outside contractors, on long-term contracts, to maintain their computer equipment/software systems, without utilizing the Request for Proposal (RFP) process.

- There is no Countywide information technology plan that addresses the County's requirements for equipment, software, and technical personnel for the next three to five years.
- There is no Countywide computer training program, facility, or staff to train County personnel in basic computer systems and/or departmental software systems.
- There is no Countywide standardized equipment-purchasing plan to ensure the lowest price per unit costs are obtained when purchasing equipment and/or software.
- There is no Countywide data information access security plan.

Most departments have their own computer personnel that have no direct reporting responsibility to the Information Services Department. They do participate with ISD technical personnel on a given project.

Of the 40-plus County departments, there are three that are mostly independent of ISD – the Sheriff's Department, Arrowhead Regional Medical Center and Human Services System.

RECOMMENDATIONS

00-11 ESTABLISH AN INFORMATION TECHNOLOGY POLICY BOARD, COMPOSED OF SENIOR COUNTY MANAGERS AND ONE REPRESENTATIVE FROM THE BOARD OF SUPERVISORS TO DEVELOP STANDARDS APPLICABLE TO ALL DEPARTMENTS, FOR THE CURRENT AND FUTURE USE OF THE COUNTY GOVERNMENT.

- 00-12 ESTABLISH A TECHNICAL POLICY COMMITTEE COMPOSED OF SENIOR TECHNICAL MEMBERS FROM THE MAJOR DEPARTMENTS AND THE INFORMATION SERVICES DEPARTMENT. THIS COMMITTEE WILL DETERMINE AND RECOMMEND TO THE TECHNOLOGY POLICY BOARD, THE REQUIREMENTS REGARDING HARDWARE AND SOFTWARE ACQUISITIONS, SYSTEMS DEVELOPMENT NEEDS, AND MAINTENANCE REQUIREMENTS AND OTHER RELATED MATTERS.
- 00-13 DEVELOP A THREE TO FIVE YEAR INFORMATION TECHNOLOGY PLAN FOR EQUIPMENT, SOFTWARE AND PERSONNEL REQUIREMENTS TO BE USED BY THE COUNTY GOVERNMENT.
- 00-14 ESTABLISH A PROCUREMENT POLICY FOR THE ACQUISITION OF COMPUTER EQUIPMENT HARDWARE AND SOFTWARE TO ENABLE THE COUNTY'S BUYING POWER TO EFFECT COST REDUCTIONS.
- 00-15 ESTABLISH A REQUEST FOR PROPOSAL (RFP) PROCESS FOR THE USE OF OUTSIDE VENDORS THAT PROVIDE COMPUTER SYSTEMS DEVELOPMENT OR MAINTENANCE.
- 00-16 DEVELOP AND IMPLEMENT A COUNTYWIDE DATA INFORMATION ACCESS SECURITY PLAN.
- 00-17 ESTABLISH A COUNTYWIDE TRAINING PROGRAM FOR BASIC SOFTWARE AND DEPARTMENT-SPECIFIC SOFTWARE PROGRAMS.
- 00-18 ESTABLISH A WORKING RELATIONSHIP BETWEEN THE INFORMATION SERVICES DEPARTMENT AND EACH DEPARTMENT'S TECHNICAL PERSONNEL TO PROVIDE ISD WITH THE KNOWLEDGE OF DEPARTMENT-SPECIFIC PROGRAMS.
- 00-19 INCORPORATE ALL DEPARTMENTS INTO THE SCOPE OF THE POLICY BOARD AND TECHNICAL COMMITTEE RECOMMENDATIONS, REGARDLESS OF FUNDING SOURCE OR SPECIALIZED NATURE OF THEIR OPERATIONS (I.E., SHERIFF'S DEPARTMENT, ARROWHEAD REGIONAL MEDICAL CENTER, AND THE HUMAN SERVICES SYSTEM).

INLAND VALLEY DEVELOPMENT AGENCY SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

BACKGROUND

The Inland Valley Development Agency (IVDA) was created in 1989 and the San Bernardino International Airport Authority (SBIAA) was created in 1992 in anticipation of the closing of Norton Air Force Base.

SBIAA is a joint powers authority and is made up of San Bernardino County and the cities of San Bernardino, Colton, Highland, and Loma Linda. Each agency gets one vote on the governing board, with the exception of the City of San Bernardino, which gets two votes. SBIAA was established to operate, maintain, and develop the economic use of the airport. SBIAA operates the airport under the jurisdiction of the Federal Aviation Administration. Seventy-five percent (75%) of the former base is part of the current airport. The boundaries under the SBIAA include the airport facility itself and some adjacent base property. Under the terms of the agreement with the Air Force, the airport itself can only be used as an airport. Only the United States Department of Justice can modify this original agreement.

IVDA is also a joint powers authority and is made up of the above agencies, with the exception of Highland. Each agency gets two votes on the governing board, with the exception of the City of San Bernardino, which gets three votes. The IVDA was established to develop and redevelop the closed Norton Air Force Base, and to create jobs and an economic base for the community. This agency has a specific life of 40 years. The IVDA has jurisdiction over all the land that is not part of SBIAA. The boundaries of the IVDA extend three miles from the perimeter of Norton Air Force Base and include approximately 14,000 acres of land in the member agencies.

FINDINGS

Many of the IVDA structures are unusable and roads are obsolete, and they do not meet state or local codes. Portions of the property have been transferred to the San Manuel Indians, some to San Bernardino Valley College, the City of San Bernardino, and Loma Linda University Medical Center. The chapel building was given to a local church that provides services to the homeless. All of these were public benefit transfers. The U.S. Forest Service has a fire-fighting base on the airport property and pays landing fees comparable to surrounding areas.

Since the inception of IVDA and SBIAA, the two agencies have been having financial problems and have had to request that their participating members advance them monies to meet their operating costs, including payroll.

There has been little increase in the value of the IVDA properties, resulting in little increase in the tax increment. There has been no new building, and the old buildings continue to decay.

Prior years of financial performance have indicated SBIAA's inability to obtain sufficient operating revenues to cover its operating expenses. Funding has been limited to lease revenues, Federal grants, and loans from the IVDA/Authority members.

As of June 30, 1999 the accumulated deficit was \$9,935,437. The Authority plans to recoup this deficit by projected increased income from the rents and leases of buildings, and aircraft-related fees.

Of the total expenses of \$1,731,008 for the year ending June 30, 1999, a major provision for bad debts of \$382,723 was taken. This amount was the result of accrued unpaid rent due from a previous tenant. Estimated projections provided by the Authority indicated substantial increases in revenues and decreases in operating expenses as noted below:

	<u>Actual FY 98-99</u>	<u>Projected FY 99-00</u>	<u>Projected FY 00-01</u>
Total Revenues	\$1,913,359	\$2,526,400	\$3,081,196
Total Expenses	<u>3,007,072</u>	<u>2,443,354</u>	<u>2,032,622</u>
Net Deficit/Income	(\$1,093,713)	\$83,046	\$1,048,574

The primary increases in revenues between FY 1998-1999 and 1999-2000 are in two areas: leases of hangars and leases of warehouse/offices.

Lease income has primarily come from one major tenant at a time. Loss of that tenant precipitated major financial difficulties. The second time this happened it resulted in member cities and the County being assessed to cover the shortfalls. As of the end of FY 1998-1999, approximately 40 percent of the operational income is from one tenant. If the premises were vacated, it would again put the operational budget in a negative position.

In the past, there has been no in-depth financial investigations done of applying lessees to insure long-term stability of the applicants.

There is presently no marketing director involved in promoting IVDA and SBIAA resources on a full-time basis. There has been no organized active marketing program in place since the inception of the agencies. Marketing efforts have been hampered by the lack of a unified focus between the governing boards of the two agencies. There is no long-range overall marketing strategy.

Through March 31, 2000 a small business incubator program has reported expenses of \$144,353 and revenue of \$62,982. This resulted in a loss of \$81,371, which is absorbed by IVDA. No comprehensive analysis of this program has ever been done to determine if it is cost-effective.

There is adequate space for expanded storage, manufacturing, or commercial activities. There are no commercial airline carriers currently using the airport facilities. Although there has been interest in passenger and/or cargo service that could increase the income for the facility, there have been no objective studies done that would support this activity.

Inland Valley Development Agency Tax Allocation Bonds (issue of 1997 for \$44,485,000) were issued to enable the IVDA to refund their Redevelopment Tax Allocation Notes (Issue of 1993) and its \$15,000,000 School Districts Tax Allocation Notes (Issue of 1993). The Redevelopment Notes and the School District Notes were used to finance a portion of its costs of the redevelopment within the Project Area. The bonds have the following redemption dates:

<u>(March 1)</u> <u>Year</u>	<u>Amount</u>	<u>(March 1)</u> <u>Year</u>	<u>Amount</u>
2002	980,000	2015	1,665,000
2003	1,020,000	2016	1,735,000
2004	1,060,000	2017	1,805,000
2005	1,105,000	2018	1,885,000
2006	1,150,000	2019	1,965,000
2007	1,195,000	2020	2,045,000
2008	1,250,000	2021	2,135,000
2009	1,300,000	2022	2,225,000
2010	1,355,000	2023	2,315,000
2011	1,415,000	2024	2,410,000
2012	1,470,000	2025	2,515,000
2013	1,535,000	2026	2,620,000
2014	1,600,000	2027	2,730,000

The above figures are principal only and do not reflect interest on the bonds.

IVDA made a series of loans totaling \$6.2 million (including unpaid accrued interest) to SBIAA to fund the operations of the SBIAA and to meet certain matching fund requirements. The ultimate collectibility of the loans to the SBIAA is dependent upon the ability of the SBIAA to generate income from its leasing and other operations of the airport. During 1997-98, SBIAA reported expenditures in excess of income and no funds were available to meet debt service payments on these notes. A reasonable uncertainty existed at the balance sheet date of June 30, 1998 as to the ability of SBIAA to generate adequate income to amortize these notes.

The two agencies employ the services of a lobbyist in Washington, D.C. at a cost of \$79,000 a year. Because of the final transition of the properties from the Air Force to the two agencies, most Air Force involvement in the airport, other than FAA, has been phased out.

RECOMMENDATIONS

- 00-20 ANALYZE PAST FINANCIAL PLANS TO IDENTIFY ACTIVITIES THAT WERE NOT SUCCESSFUL. ESTABLISH A LONG-RANGE REALISTIC FINANCIAL AND OPERATIONAL PLAN, CONSISTENT WITH THE AVAILABILITY OF CAPITAL.
- 00-21 ANALYZE PAST PERFORMANCE OF THE INCUBATOR PROGRAM TO DETERMINE IF IT MEETS THE ORIGINAL CONCEPT. REVIEW THEIR LONG-RANGE PLANS TO MAXIMIZE ECONOMIC POTENTIAL FOR THE INLAND VALLEY DEVELOPMENT AGENCY.
- 00-22 ESTABLISH AN AGGRESSIVE MARKETING PLAN, WHICH INCLUDES HIRING A QUALIFIED MARKETING DIRECTOR OR CONTRACTING WITH A PROFESSIONAL MARKETING FIRM. THIS POSITION WOULD BE RESPONSIBLE FOR MARKETING BOTH INLAND VALLEY DEVELOPMENT AGENCY AND SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY PROPERTIES.
- 00-23 ACTIVELY SOLICIT THE TENANCY OF MORE ESTABLISHED SMALL AND MEDIUM BUSINESSES TO BETTER UTILIZE UNOCCUPIED SPACE THAT WOULD ENSURE A MORE DEPENDABLE CASH FLOW, MINIMIZING RELIANCE ON A SINGLE TENANT.

- 00-24 DEVELOP A DEFINED PROGRAM TO ANALYZE ANY POTENTIAL LESSEES AS TO THEIR ECONOMIC ABILITY TO PERFORM LONG-TERM UNDER THE LEASE TERMS.
- 00-25 DEVELOP AN OBJECTIVE PLAN TO ESTABLISH FREIGHT AND/OR PASSENGER SERVICE AT THE SAN BERNARDINO INTERNATIONAL AIRPORT.
- 00-26 DEVELOP A PLAN TO SET ASIDE ADEQUATE FUNDING TO RETIRE THE BOND INDEBTEDNESS.
- 00-27 ELIMINATE THE POSITION OF LOBBYIST FOR THE INLAND VALLEY DEVELOPMENT AGENCY (IVDA) AND THE SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY (SBIAA) IN WASHINGTON, D.C.

SUGGESTION AWARDS PROGRAM

BACKGROUND

The investigation of the County's Suggestion Awards Program was prompted by a former employee who complained that he had not received proper treatment for suggestions he had submitted.

The current program responsibility and staff support for the Suggestion Awards Program is part of the Human Resources Department. The stated purpose of the program is that it *"encourages employee participation in improving the efficiency and effectiveness of County operations. It is intended to motivate employees toward problem identification, and to stimulate creativity in problem solution. The program demonstrates, through employer recognition and reward, the high value County management places on constructive ideas."*

The bylaws for the Suggestion Awards Program were first adopted on September 2, 1958. There are written roles and responsibilities that describe the duties of administrators and department heads, committee members, and staff support. The eleven (11) person Suggestion Awards Committee consists of representatives from the Board of Supervisors, County Administrative

Office, and many of the major departments. There are also written descriptions for the Terms and Conditions of Awards, Eligibility of Suggestions and Suggestors, and Resubmission and Appeals.

FINDINGS

The Suggestion Awards Program has been assigned to an employee who handles the program in addition to his regular assignment. When a suggestion is received, the current procedure is as follows:

- The suggestion form is date stamped.
- A letter is sent to the suggestor acknowledging receipt of the suggestion.
- Pertinent data is entered into a self-developed computer-tracking program by the staff support person.
- The suggestion is sent to the affected department for evaluation, analysis, and comment. The bylaws say the suggestion is to be evaluated within three months, but this isn't always followed.
- The affected department evaluates the suggestion and, if it is recommended for approval, the Suggestion Awards Committee meets and takes an action. If not recommended for approval, action will be postponed until there are other matters for consideration. Sometimes the Suggestion Awards Committee will request that the suggestion be sent back to the department for further evaluation.
- Meetings of the Suggestion Awards Committee are to be held on a quarterly basis (currently calendared monthly) to determine the suggestion's eligibility/ awards based on their evaluation, and/or to hear appeals of suggestion award decisions.

The amount of awards in fiscal year 1999 totaled between \$20,000 and \$25,000; one of the awards was for \$5,000. The bylaws state that the award for a suggestion is ten percent (10%) of the total net savings and/or revenue of County, State and/or Federal funds for the first year's projection, with a minimum award of \$100 and a maximum of \$5,000.

A random selection of Suggestion Award files was reviewed to observe how the program was being administered. Three files from fiscal year 1997 and three files from fiscal year 1999 were selected. The program was under different staff support during these two periods. Each of the six files demonstrated serious weaknesses in program administration. The findings can be summarized as follows:

- A suggestion was received on May 5, 1997. Requests for evaluations were sent to two separate departments on May 13 and responses were received on June 13 and June 19. The letter to the suggestor notifying him that the suggestion was not going to be implemented was dated August 24, 1998. This was 14 months after the departments had responded.
- A suggestion was received August 13, 1997. Requests for evaluations to two separate departments were sent on August 19. One evaluator returned the completed form on September 11, 1997 but the other department never completed the evaluation. No suggestion was awarded because the estimated annual tangible savings was less than \$1,000 so the award would have been less than the minimum \$100. There is no evidence in the file to indicate that the suggestor was ever informed of the final disposition.
- A suggestion was received on March 4, 1998. A request for evaluation was sent on May 29, nearly three months later. The evaluator completed the form on June 9, but the department head did not sign off until October 26, four and one-half months later. The letter from the department head to the Suggestion Awards Program staff support person stating the reasons for not recommending approval, was inappropriately sent to the suggestor directly by the department head. On February 18, 1999 the program staff support person notified the suggestor by letter that his suggestion had not been recommended and on February 17, 1999, the suggestor appealed the decision. In light of the appeal, on February 23, 1999 the staff support person requested the department head complete a reevaluation of the suggestion no later than March 23, 1999. More than 12 months had passed without a response from the department head. The program staff support person sent a follow-up request on March 1, 2000. A response from the department was received on March 22, 2000 and the suggestor was notified on April 7, 2000 that the appeal was denied.

- A suggestion was received on February 3, 1999. The suggestor was notified of receipt of the suggestion on February 9 and the evaluation by the department head was requested on the same date. The department head responded with a negative recommendation on April 6, 1999 but the suggestor was not notified of the rejection until February 24, 2000. No explanation was evident in the file for the ten-month delay.
- A suggestion was received on June 28, 1999. The suggestor was notified of receipt of the suggestion on June 28 and the evaluation by the department head was requested on the same date. Nine months later the department head still has not responded, in violation of the written procedures.
- A suggestion was received September 23, 1999. The suggestor was notified of receipt of the suggestion on September 27, and the evaluation by the department head was requested on the same date. Six months later the department head still has not responded, in violation of the written procedures.

In addition to the above examples, it was reported that many old files lack sufficient documentation to accurately determine the final disposition. Some files dating back to 1994 have never been closed out. In the past, some requests to department heads for evaluations were never answered and any follow-up by support staff was sporadic, if at all.

Currently the program receives only 50 to 60 suggestions per year, which means less than 0.5 percent of the approximate 15,000 County employees submit suggestions. The Suggestion Awards Program has sound written procedures that were last updated in March, 1994, but program management has failed to comply with these procedures. Without adequate staff support, routine tasks such as timely responses and follow up to suggestions are often left undone.

RECOMMENDATIONS

- 00-28 COMMIT ADEQUATE MANPOWER, FUNDING, ENCOURAGEMENT, AND OVERSIGHT TO THE SUGGESTION AWARDS PROGRAM SO THAT IT IS MANAGED IN THE MANNER INTENDED.
- 00-29 PLACE RENEWED PROGRAM EMPHASIS ON ALL DEPARTMENT HEADS SO THAT THEY ENCOURAGE PARTICIPATION AND ENDORSE AND SUPPORT THE PROGRAM THROUGH TIMELY

RESPONSES TO REQUESTS FOR EVALUATION OF ANY SUGGESTION SUBMITTED.

- 00-30 REVAMP THE SUGGESTION AWARDS COMMITTEE WITH NEW, FRESH FACES THAT WILL BE UNHINDERED BY PAST HABITS AND PRACTICES, AND ESTABLISH A MAXIMUM NUMBER OF TWO-YEAR TERMS THAT A PERSON CAN SERVE.
- 00-31 PROVIDE SUFFICIENT MANPOWER FOR THE STAFF SUPPORT SO THAT SUGGESTORS RECEIVE A TIMELY RESPONSE TO THEIR SUGGESTIONS.
- 00-32 ENCOURAGE EXPANDED EMPLOYEE PARTICIPATION THROUGH A NEW COUNTYWIDE PUBLICITY EFFORT, PROFESSIONAL ADMINISTRATION BY ALL PARTIES TO THE PROGRAM, TIMELY DECISIONS BASED ON THE MERITS OF THE SUGGESTIONS, AND A MORE LIBERAL INTER- PRETATION OF THE TANGIBLE SAVINGS TO BE GAINED.

TREASURER-TAX COLLECTOR

BACKGROUND

The Treasurer-Tax Collector is an elected position that heads up a department consisting of three divisions. The Treasurer-Tax Collector functions are:

- Tax Collection Division is responsible for the collection and accounting of taxes for all taxing entities of the County. The division collects secured taxes, unsecured taxes, transient occupancy taxes, and racehorse taxes, and also conducts tax sales and processes senior citizen applications for postponement of real estate taxes.
- The Treasurer Division provides banking services, including payment of all warrants and depositing of receipts for all County departments, school districts, and special districts. The division also invests these agencies funds, which total more than \$1.5 billion. Other functions of the division are to provide cash management for County funds and issuance of temporary borrowing, when necessary.

- The Central Collections Division provides Countywide collection service, which reduces bad debts to the County and thereby increases revenue. Central Collections handles court ordered fines, fees, victim restitution, Public Defender fees and juvenile maintenance, some County hospital debts and various debts for other County departments. Beginning in 2000, Central Collections will also handle the Court collections, including traffic fines.

FINDINGS

The Tax Collection Division is the most visible part of the Treasurer-Tax Collector function because it has a financial impact on each County citizen who owns property. About 774,000 secured and unsecured tax bills are sent out annually, with tax collections of about \$989 million. The tax bill asks that checks for payment be made out to Dick Larsen, Treasurer-Tax Collector. There is no regulatory reason to include the name of the Treasurer-Tax Collector. The public may infer that a check made payable to an individual is less secure than a check made payable to the Treasurer-Tax Collector.

A sophisticated remittance processing system capable of processing 32,000 transactions per hour handles the processing of tax collections. This system enables payments to be processed the same day, "images" the check received and the billing statement, compares the amount received to the amount owed, credits payment to the proper taxpayer, and deposits the funds in the County bank account. The system also records the correct allocation of the funds received to any of the numerous separate taxing agencies.

A June 30, 1999 Report of Delinquencies by County for Fiscal Year 1998-1999 Tax Collections shows San Bernardino County has a 5.0% delinquency rate (\$45.4 million) on its secured tax collections. Only six other counties in California have a higher delinquency rate: Sierra at 7.5%, Yuba at 7.2%, Calaveras at 6.4%, Lake at 6.3%, Mariposa at 5.2% and Modoc at 5.1%. The median for all counties is 3.1%. The state of the economy affects the rate of delinquency. Also, many of the parcels in San Bernardino County with delinquent taxes are small mountain or desert pieces of land and/or small parcels in rough terrain, as well as parcels within special districts with water or sewer bonded indebtedness. The same report shows San Bernardino County has a 7.7% delinquency rate (\$5.1 million) on its unsecured tax collections. Only four other counties have a higher rate: Sierra at 16.7%, Los Angeles at 13.7%, Mariposa at 10.0% and El Dorado at 9.5%. The median for all counties is 4.0%. San Bernardino has set an overall delinquency goal for the future of 4.0% or less.

If taxes are not paid on a timely basis, penalties are imposed as follows:

	<u>If paid after Dec. 10</u>	<u>If paid after Apr. 10</u>	<u>If paid after June 30</u>
Dec. 10 Installment	10% of the tax owed	10% of the tax owed \$10.00 fee	10% of the tax owed \$10.00 fee 1.5% per month of tax owed \$15.00 redemption fee
April 10 Installment	n/a	10% of the tax owed \$10.00 fee	10% of the tax owed \$10.00 fee 1.5% per month of tax owed \$15.00 redemption fee

The first notice of delinquent unpaid taxes for both December 10 and April 10 installments is not mailed until May. Once the December 10 installment is missed there is no incentive to paying the past due taxes until June 30 (except for the additional \$10 fee after April 10). After a property tax has been delinquent for five years, the property is listed for tax sale sometime within the following two years. Tax sales are held once a year. There were about 8,500 parcels for tax sale in March 2000. In 1999 there were 4,500 parcels eligible, but only 3,500 were ready for sale and only 442 were sold.

Currently, when taxes are delinquent on a parcel, the procedure is to print on the tax bill the message *"There are unpaid taxes on this parcel."* As this statement is inconspicuous, it is easy to miss.

Presently the Tax Collector does not accept partial payments of taxes. A change in the policy to accept partial payments requires approval by the Board of Supervisors. This request for approval will be submitted when the computer and accounting system is set up to handle partial payments.

In July 1999 a \$348,000 embezzlement by an employee was uncovered in the tax sale function. An outside audit firm was immediately brought in to conduct an audit and to review all department policies and procedures. Numerous operational recommendations were made, including a recommendation to create an ethics policy and require each employee to understand and sign such a document as a condition of employment. The County Sheriff is expected to turn the embezzlement matter over to the U.S. Attorney for prosecution. Another outside audit is finishing its work to develop and recommend revised department policies and procedures.

The County Auditor/Controller is required to conduct an audit of the Treasurer's function once a year. A complete audit has not been done for 6-8 years, except for periodic surprise cash audits. An annual audit by the Auditor, or by staffing an internal audit function within the department, would

likely have picked up or prevented the recent embezzlement in the Tax Collector function.

The cash management and investment function maintains an investment pool of about \$1.5 billion for the County, school districts, Board-governed districts, special districts and other members of the pool. The portfolio obtained the highest rating available from Standard and Poors, Moody's, and Fitch Investor Service. There is monthly monitoring by these agencies to insure continuation of the AAA rating. The County utilizes various advisory services to assist with investment decisions. By law the County is restricted to investments with less than five years maturity. Allowable investments include U.S. Treasury notes, U.S. agency bonds, high quality commercial borrowing, Certificates of Deposit, and Repurchase Agreements.

Central Collections was established in fiscal year 1996-97 following the merger of the Division of Collections, San Bernardino County Medical Center, and Probation Accounting. Central Collections collects all past due accounts with the exception of past due property taxes and District Attorney's child support collections. It functions in the same manner as a collection agency in the private sector, except it has broader investigative powers. In fiscal year 1998-99 a total of \$18.6 million was collected. Reports show that a substantial amount of debt to the County is charged off for a variety of reasons, including weaknesses in the billing process.

Central Collections uses a commercially developed computer program called Columbia Ultimate Business System (CUBS) to manage and process collection information. An automated call system is used by the collection officers to increase the number of calls made. Management can adjust the parameters to concentrate calls to a selected group of payees. A Computerized Automatic Dialing (CAD) system is also used to monitor all calls being made and to evaluate the productivity of the collection officers.

The State Controller's office audited Central Collections in January 1998 for the period July 1, 1993 through June 30, 1996 to determine if remittances to the State were accurate and timely. The audit has not yet been finalized.

RECOMMENDATIONS

00-33 MAIL A NOTIFICATION OF TAX DELINQUENCY WITHIN 30 DAYS OF MISSING THE DECEMBER 10 INSTALLMENT, IN ADDITION TO MAILING THE NOTIFICATION OF TAX DELINQUENCY IN MAY.

- 00-34 REDUCE THE APPROXIMATELY \$50 MILLION IN DELINQUENT TAXES BY DEVELOPING MORE AGGRESSIVE COLLECTION AND TAX SALE PRACTICES.
- 00-35 ENLARGE, COLOR, MAKE BOLD AND PROMINENTLY DISPLAY THE NOTICE "THERE ARE PRIOR YEAR TAXES DUE" ON ANY TAX BILL WHERE THERE IS A DELINQUENT TAX OWING.
- 00-36 CONTINUE WITH THE REQUIRED COMPUTER PROGRAM DEVELOPMENT AND BOARD OF SUPERVISORS' APPROVAL THAT WOULD PERMIT THE COUNTY TO ACCEPT PARTIAL PAYMENTS FOR TAXES DUE.
- 00-37 IMPLEMENT THE CODE OF ETHICS AS RECOMMENDED IN THE 1999 OUTSIDE AUDIT CONDUCTED AS A RESULT OF THE EMBEZZLEMENT OF FUNDS.
- 00-38 DEVELOP AND IMPLEMENT A NEW SET OF DEPARTMENT POLICIES AND PROCEDURES TO INSURE A SYSTEM OF INTERNAL CONTROLS ARE IN PLACE TO ACHIEVE CONSISTENT AND PROFESSIONAL PERFORMANCE OF THE DEPARTMENT RESPONSIBILITIES.
- 00-39 REQUIRE THE COUNTY AUDITOR/CONTROLLER, OR AN OUTSIDE AUDIT FIRM, TO CONDUCT A FULL-SCALE PERFORMANCE AND FISCAL AUDIT OF THE ENTIRE TREASURER-TAX COLLECTOR DEPARTMENT ONCE A YEAR, AS A ROUTINE BUSINESS PRACTICE.
- 00-40 CHANGE THE PRACTICE OF HAVING TAX PAYMENT CHECKS MADE PAYABLE TO "DICK LARSEN, TREASURER-TAX COLLECTOR", AND HAVE THEM MADE PAYABLE TO "TREASURER-TAX COLLECTOR".
- 00-41 DEVELOP A MORE DETAILED AND SOPHISTICATED REPORTING SYSTEM, USING DOLLAR CRITERIA TO JUSTIFY THE DECISION, TO BE USED WHENEVER MAJOR DEBTS OWING THE COUNTY ARE TO BE CHARGED OFF.
- 00-42 ESTABLISH A FOLLOW-UP SYSTEM TO ASSURE THAT ANY AUDIT REPORT FROM THE STATE CONTROLLER'S OFFICE BE RECEIVED IN A TIMELY MANNER SO THAT PREVENTATIVE OR CORRECTIVE ACTION CAN BE TAKEN.

UNCLAIMED PROPERTY TAX REFUND PROGRAM

BACKGROUND

The collection of taxes in San Bernardino County involves a three-step process:

- County Assessor is responsible for creating the Assessment Roll.
- County Auditor/Controller-Recorder is responsible for assigning all of the tax rates for the numerous taxing agencies, and thereby creates the Tax Roll.
- County Treasurer-Tax Collector sends out all of the tax bills and receives the tax payments.

As funds are received, the Auditor/Controller distributes the funds to the various taxing agencies.

The County Assessor is responsible for the assessment of all taxable property within the County, except State-assessed property. It is largely the changes made to the assessed value and the Assessment Roll that creates the Unclaimed Property Tax Refund Program.

FINDINGS

When the Assessor changes the assessed value on a property, a notice is sent to the taxpayer. This notification is a standard form that shows either a positive or negative number. If the value is a negative number, the taxpayer is entitled to a tax refund. In small print on the reverse side of the form it states *"If the supplemental assessment results in a negative amount, the auditor shall make a refund of a portion of taxes paid on assessments made on the current roll or the roll being prepared or both"*. This statement does not call attention to the full significance of a tax refund.

The Assessor also sends a Roll Correction to the manager of the Property Tax Division in the Auditor's office, where a calculation is made as to the amount of tax refund that is potentially owed by the County. The Property Tax Division sends out a form to the property owner if the refund is less than \$1,000 (if the amount of the refund is less than \$10 there is no notification form sent). If the amount of refund is \$1,000 or more, the Property Tax

Division researches who actually paid the tax, i.e., bank through an escrow account, etc., and then the form is mailed to the party who actually made the payment.

Only one notification of a tax refund due is normally sent to the taxpayer. The notice is a simple one-page form that identifies the parcel number, tax year, amount and address of the property. It states the reason for the refund and the person named is to sign the form and return it to the Property Tax Division. Frequently the form is returned due to addressee unknown. In that case research is done through the Assessor's system, to re-mail to a better address. In many cases the form is just not returned by the taxpayer. Sometimes a form will be received several years after it was mailed – presumably it was laid aside and finally found by someone who signed it and sent it back to the Property Tax Division.

The following chart shows amounts in the Unclaimed Tax Refund Program.

	<u>All Unclaimed Refunds As of February 24, 2000</u>	<u>Unclaimed Refunds Over \$1,000 As of March 8, 2000</u>
1984	\$29,376	\$ 1,403
1985	40,939	7,051
1990	256	0
1991	1,251	0
1992	338,825	141,582
1993	637,020	355,692
1994	1,679,995	1,274,231
1995	1,379,226	789,226
1996	1,451,963	821,286
1997	1,865,983	997,753
1998	2,199,447	982,668
1999	2,307,384	968,567
2000	<u>1,850,534</u>	<u>1,380,996</u>
TOTAL	\$13,782,198	\$7,720,456

The vast majority of refunds are for relatively small dollar amounts. In total, there are approximately 29,000 unclaimed tax refunds, of which about 1,500 are for amounts of \$1,000 or more. Some of these represent large dollar amounts owed to businesses. In the \$1,000 or larger category, unclaimed tax refunds to a person or business ranged from \$1,000 to as high as \$350,000. Many banks and savings and loans in Southern California are on the list, as well as numerous real estate developers and major businesses. Some city,

County, and Federal government agencies are also listed, including departments of San Bernardino County.

A study made of the 1998-1999 fiscal year showed that the Property Tax Division sent out about 46,700 form notices that year. Thirty-two thousand four hundred (32,400) forms were signed and returned and refunds were sent; 5,000 were returned as the addressees were unknown; and 8,300 had not responded at the time of the study. The reasons taxpayers do not respond are varied: people sell property; people move to a different address or out of state; people don't understand the workings of the tax process; large commercial businesses give the form to an employee who doesn't understand it so it is not returned; businesses hire another firm to handle business matters, so the form gets lost in the shuffle; and some just think it is too much trouble to research it.

The State Revenue and Taxation Code provides that if a refund is not claimed by the taxpayer within four years, it may be claimed for the County General Fund on order of the Board of Supervisors. The last Board approved transfer to the General Fund was about \$1,200,000 in June 1998 for fiscal years 1984-85 to 1991-92. Through 1995 there is now about \$4,100,000 eligible for transfer, if the request is made to the Board of Supervisors.

The same notification is given to each taxpayer because the County makes every effort to treat all taxpayers equally. The fact that so many taxpayers (including many major businesses) fail to sign the form and return it indicates the present system is not effective. The current process may comply with the Revenue and Taxation Code, but the transfer into the General Fund of such a large dollar amount of unclaimed tax refunds would demonstrate a lack of conscientious pursuit to reach the taxpayer due the refund.

RECOMMENDATIONS

- 00-43 INCLUDE A SEPARATE SHEET WHEN THE ASSESSOR MAILES THE NOTICE OF REDUCTION IN ASSESSED VALUE THAT CLEARLY AND SIMPLY STATES IN LARGE, "EYE-CATCHING" PRINT ***"THIS IS A REDUCTION IN ASSESSED VALUE AND YOU MAY BE ELIGIBLE FOR A REFUND OF TAXES PAID. THE TAXPAYER WILL RECEIVE A FORM IN THE NEAR FUTURE FROM THE COUNTY PROPERTY TAX DIVISION"***.
- 00-44 INCLUDE A SEPARATE SHEET WHEN THE PROPERTY TAX DIVISION MAILES THE CLAIM FOR REFUND FORM, THAT CLEARLY AND SIMPLY STATES IN LARGE, "EYE-CATCHING" PRINT ***"THIS***

IS A FORM TO FILE FOR A REFUND OF TAXES ALREADY PAID. NO REFUND WILL BE PAID UNTIL THIS FORM IS COMPLETED, SIGNED, AND RETURNED TO THE PROPERTY TAX DIVISION”.

- 00-45 ADD WORDING TO THE TAX BILL THAT IS MAILED ANNUALLY BY THE TREASURER-TAX COLLECTOR STATING THAT AN UNCLAIMED TAX REFUND IS DUE UNDER THIS PARCEL NUMBER.
- 00-46 MAKE A CONSCIENTIOUS SEARCH BY THE PROPERTY TAX DIVISION OF BUSINESSES AND INDIVIDUALS OWED TAX REFUNDS AND MAKE A SECOND MAILING TO NOTIFY THOSE TAXPAYERS THEY ARE ELIGIBLE FOR AN UNCLAIMED TAX REFUND.
- 00-47 PLACE A NOTICE IN ALL OF THE MAJOR COUNTY NEWSPAPERS BY THE PROPERTY TAX DIVISION ALERTING THE PUBLIC THAT THERE ARE ONLY 30 DAYS REMAINING TO CLAIM THEIR TAX REFUND, PRIOR TO REQUESTING TRANSFER TO THE GENERAL FUND.
- 00-48 REQUEST THE AUDITOR ANNUALLY SUBMIT TO THE BOARD OF SUPERVISORS FOR APPROVAL THE TIMELY TRANSFER OF THE ELIGIBLE UNCLAIMED TAX REFUNDS TO THE GENERAL FUND.

COMPLAINTS COMMITTEE

An important function of California Grand Juries is to consider bona fide complaints concerning local government operations submitted by members of the public. In San Bernardino County, complaints must be submitted in writing using the Grand Jury's standard complaint form.

As the Grand Jury has no assigned staff of investigators, public input is of vital importance if government oversight is to be effective. The identity of the complainant, the actions taken by the complainant to solve the problem, the subject and target of the complaint, and supporting data and information

are essential if the Grand Jury is to investigate properly and recommend appropriate actions. All complaints are handled in the strictest confidence as required by the law.

The 1999-2000 Grand Jury received 21 complaints. Each complaint was reviewed by the Complaints Committee for the appropriate action to be taken by the Grand Jury. There were nine complaints that were determined not to be within the jurisdiction of the Grand Jury. A letter was sent to each complainant informing him or her of that fact. There were five complaints that fell within the jurisdiction of the Grand Jury and those complaints were forwarded to the appropriate committee for action.

The assigned Grand Jury committee investigated each complaint received from the Complaints Committee and may have included the results of its investigation in its final report. The fact that the investigation was based on a complaint will remain confidential, as well as the source of the complaint.

There were seven complaints that were returned to the complainants stating that the Grand Jury would take no action; usually this was because the complainants may not have provided enough supporting data.