

# AUDIT/FISCAL COMMITTEE



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## **AUDIT/FISCAL COMMITTEE**

The Audit/Fiscal Committee reviewed the operations and functions of the following County departments:

Assessor  
Auditor/Controller-Recorder  
Treasurer-Tax Collector

The Audit/Fiscal Committee appointed one subcommittee for the Assessor. The full committee was used on reviews and investigations of other departments.

No contract audit was requested.

There were no significant findings or recommendations for the office of the Treasurer-Tax Collector. Included in this report are the findings and recommendations of the Audit/Fiscal Committee.

# **ASSESSOR**

## **BACKGROUND**

The Assessor determines the current assessed value of vacant land, improved real estate, business property and certain manufactured homes, boats and aircraft for property tax purposes.

The Assessor has nine (9) district offices for the convenience of the citizens of San Bernardino County. Offices are located in Barstow, Big Bear, Fontana, Needles, Ontario, San Bernardino, Twin Peaks, Victorville and Yucca Valley. At the present time the Assessor is interested in adding a tenth district office in Rancho Cucamonga. The Assessor is committed to providing various services that help provide information and good will, including a website on the Internet. The department also uses newspapers, seminars, tours, help week and speeches to schools, service organizations and local businesses to promote the department. Assessor personnel provide assistance in tax exemptions, exclusion relief and reappraisals. The department uses the Assistant Assessor as the information services/public information person.

Grand Jurors met with the Assessor and his key staff to review current assessment processes and inquire into the integration of new computers and state-of-the-art software appraisal/assessment activities.

## **FINDINGS**

Based upon Proposition 13 passed by the voters in June 1978, the Assessor is required to appraise real property as of the date of the change in ownership or as of the date of completion of any new construction. The property will be assessed on the basis of the new valuation. The assessed value then may only be increased each year by an inflationary rate not to exceed two percent (2%) per year unless there has been new construction or a change in ownership.

The maximum amount of property tax cannot exceed one percent (1%) of the property's appraised value, plus any bonded indebtedness or fees as approved by the voters, and special assessments fees approved by governing bodies.

When a change in ownership occurs, the Assessor receives a copy of the deed and determines if an appraisal is required under State law. If it is required, an appraisal is made to determine the current assessed value of the property. The property owner is then notified of the new assessment and has the right to discuss the new value with the Assessor and/or appeal the value through the appeals process.

Proposition 60 was a constitutional amendment approved by California voters in 1986. It allows the transfer of an existing Proposition 13 base year value from a former residence to a replacement residence. This benefit is open to homeowners who are at least 55 years old and meet the requirements outlined in the conditions below. If either spouse is over age 55 or disabled, Proposition 60 allows replacement of a primary residence with a new home of equal or lesser value within the same county and transfer of the Prop. 13 assessed valuation from the old home to the new property.

Proposition 90 is a State law which allows anyone over age 55 to transfer the value of their property between counties if Prop. 90 is approved by that county's Board of Supervisors. Only eight counties in the State have opted to adhere to the provisions of Prop. 90. San Bernardino County's Board of Supervisors has not approved the provisions of Prop. 90.

New equipment and software has been acquired by the Assessor's office that will improve efficiency, accuracy and cost effectiveness of daily operations in the office. The hardware includes 120 new desktop computers, all of which have been deployed and are currently in use. The remainder of the computers are in the process of being distributed and set up.

Along with the hardware, the Assessor has purchased a new program, called AES, which deals with comparable sales. This program deals only with the sale of residences, not new construction. Presently, all of the research dealing with comparison values of property must be done manually. The new faster, more accurate program will provide the comparisons automatically. An added benefit is that the same number of workers will be able to handle the growing workload, thus reducing the need to hire more appraisers.

The Assessor's office regularly receives data used for appraisals and assessments from the Recorder's office. This information must be downloaded and placed into the Assessor's database. This information includes copies of deeds, ownership records, etc. The establishment of an online, real-time system of sharing this information with these other agencies has been in development and is expected to be completed in the next fiscal year. This would expedite the Assessor's operations. Such a system would move the department toward its goal of becoming a "paperless" department.

The office utilizes the Geographical Information System (GIS) to create Assessor's parcel maps used in the appraisals and assessments. Overhead high definition imagery from aircraft and satellites would give the department the ability to assess homes throughout the County.

An analysis of the workload generated by required audits mandated by State law has shown a requirement for an additional six (6) positions in the Business Division of the Assessor's office. The plan is to hire lower level staff that can do the routine daily tasks and take the pressure off those State certified auditors qualified to conduct the audits.

## **RECOMMENDATIONS**

- 05-13        PROPOSE TO THE BOARD OF SUPERVISORS THE ADOPTION AND IMPLEMENTATION OF PROPOSITION 90 INTO THE COUNTY OF SAN BERNARDINO.
- 05-14        THE ASSESSOR EMPLOY THE REQUIRED PERSONNEL IN ORDER TO IMPLEMENT THE REQUIRED AUDITS MANDATED BY STATE LAW.

# **AUDITOR/CONTROLLER-RECORDER AND COUNTY CLERK**

## **INTRODUCTION**

The Auditor/Controller-Recorder and County Clerk is an elected office. The mission of the Auditor/Controller-Recorder (ACR) is to provide superior accounting, auditing and recording services in accordance with legal requirements and professional standards. The Audit/Fiscal Committee looked at four areas within the ACR responsibility and each is addressed separately.

## **CONTROLLER DIVISION ACCOUNTS PAYABLE**

### **BACKGROUND**

The Accounts Payable division audits claims then issues and mails warrants (payments) for legal and valid claims, cancels all outdated (stale) warrants and reissues on request, issues stop payments and verifies reported forgeries on County warrants. The Audit/Fiscal Committee investigated this to determine the length of time for payments to be made.

### **FINDINGS**

The standard for processing payments is ten business days. Standards are not always met. Staff estimates the standards are met 90 percent of the time. Timeline starts when a form comes in and is time-stamped. When it is paid in the Fiscal Accounting System (FAS), it is again date stamped with an ending date. Each desk does not prioritize work by date stamp to meet timelines. An Electronic Fund Transfer (EFT) to an individual's bank is processed 2 to 3 days after the final date on the documents.

The method for assessing the volume of work on an employee's desk is to use a ruler and measure the width of documents in trays. Attention is paid if the measurement becomes too large. Each desk has a different norm based on the type of work/function performed at that desk. These measurements are included in the Weekly Workload Status Report which is used by the supervisor to give assistance in problem areas. Under the present procedure, it is impossible for a supervisor to come up with a percentage of on-time work using the Weekly Status Report.

A complaints log is not maintained in the Accounts Payable Department. Most complaints come in e-mail form, which the supervisor flags. The problem is immediately corrected by the supervisor or directed to the appropriate individual. If the flagged e-mail is not sent back with the corrective action, the supervisor will follow-up at that time to ensure the problem gets resolved. There is no record other than incoming e-mail and subsequent e-mail showing correction. E-mails are not saved. First-line supervision takes all incoming complaints and corrects them.

Overtime reports for fiscal years 2003-04, 2002-03 and 2001-02 were not readily available. Overtime is not the first option when Accounts Payable or Data Entry falls behind schedule, as far as processing and posting of payment documents are concerned.

At the beginning of the investigation, we were advised that a new accounting system was scheduled for implementation in July 2005. The new system is an on-line system that allows departments to electronically transmit payment requests. The new system will check for errors, thus diminishing, but not eliminating, auditing. However, current information is that the system will not be fully developed until July 2006.

## **RECOMMENDATIONS**

- 05-15 USE DATE STAMPS TO DETERMINE THE PERCENTAGE OF ON-TIME WORK FOR EACH EMPLOYEE TO BETTER IDENTIFY THOSE EMPLOYEES WHO ARE NOT MEETING STANDARDS AND NEED ASSISTANCE.
- 05-16 RECORD THE NUMBER OF DOCUMENTS BEING DATE STAMPED TO ASCERTAIN THE VOLUME OF WORK RECEIVED ON A GIVEN DAY. RECORD THE NUMBER OF DOCUMENTS GIVEN TO EACH DESK TO PROCESS.
- 05-17 AT THE END OF EACH WORK DAY, MOVE DOCUMENTS NOT PROCESSED WITHIN TIMELINES TO A FIRST-TO-BE-PROCESSED AREA FOR THE NEXT DAY'S WORK.
- 05-18 MAINTAIN A LOG OF CUSTOMER COMPLAINTS WHICH WOULD INCLUDE RESOLUTIONS AND PERTINENT INFORMATION TO IDENTIFY REPEAT PROBLEM AREAS.
- 05-19 MAINTAIN ACCURATE, TIMELY REPORTS ON THE USE OF OVERTIME IN ORDER TO BUDGET CORRECTLY FOR KNOWN PERIODS OF HIGH VOLUME.



## **DATA ENTRY**

### **BACKGROUND**

Data Entry keypunches all transactions and transmits all keyed batches to Information Services. The Audit/Fiscal Committee reviewed this unit after discovering ties to timelines for Accounts Payable.

### **FINDINGS**

There are five Data Entry employees. Each employee processes 30 to 40 batches per day; each batch contains ten (10) documents. Employees' type input from the first page of documents, saving them from searching through a packet. At the beginning of the day each employee takes five (5) batches from the bins for input. When completed, those batches are returned and the employee takes five (5) batches to verify. This is done by actually inputting all data as if it had not been input previously. This is how mistakes are caught. No employee inputs and verifies the same batch, allowing for double-checking. A log of batches is maintained.

The speed of data entry is based on key strokes which are counted by the computer software. A report is generated once a month which shows key strokes and errors. In March 2004 employees began using a Windows based program. This has reduced the speed of data entry; prior speed levels have not yet been attained. The speed measurements are frozen at this time until learning the new program is completed. Employees earn higher compensation for being above the minimum key strokes expected.

Completed batches are transmitted into FAS (Fiscal Accounting System) overnight, between 6:00 and 11:00 p.m. Occasionally a payment will reject due to discrepancies during the FAS nightly run. The documents will be pulled and the discrepancy corrected and reprocessed. When the daily batches are complete and transmitted, they are date stamped and stored in appropriate boxes and kept in Data Entry for two months. Then the boxes are taken to a downstairs storage area and remain there for up to three years. The boxes are then taken offsite to be stored until destruction, which is normally another two years.

"A new accounting system is in the building", with a revised implementation goal of mid-2006. The new on-line system allows departments to access the system and electronically transmit payment requests. There are some departments, such as small special districts, that may not have the computers/technology to access the system and will continue submitting the payment requests the old way.

Power outages in the ACR building are an ongoing problem, especially in the summer. When a lengthy outage occurs, batteries can no longer sustain the building's needs. The ACR is looking into having generators installed for back-up.

## **RECOMMENDATIONS**

- 05-20        EVALUATE PERFORMANCE STANDARDS FOR EMPLOYEES ONCE THE NEW ACCOUNTING SYSTEM IS IMPLEMENTED.
- 05-21        ALLOCATE FUNDS FOR BACK-UP GENERATORS.

## **AUDITOR DIVISION INTERNAL AUDITS**

### **BACKGROUND**

The Internal Audits Division of the ACR performs operational and financial audits of departments, offices, agencies and special districts. It provides management with objective appraisals as to the status of operations of the audited organizations. It evaluates internal controls and assesses business risks.

### **FINDINGS**

A list of audits completed by the Internal Audits Division and external auditors for fiscal years 2001-02, 2002-03 and 2003-04 was provided to the Grand Jury. These lists are based on the issue dates of the reports and not the audit period. An example is the audit reports issued by the external auditors on December 15, 2003 are for the fiscal year ended June 30, 2003. The reports for school district audits started in fiscal year 2003-2004 will not be issued until fiscal year 2004-2005.

The Risk-Based Internal Audit Plan was submitted to the Board of Supervisors in February of 2003. The plan had performance audits projected to start in fiscal year 2002-2003. Needed startup procedures, staff turnover and mandated audits caused performance audits to not fully begin until fiscal year 2003-2004. Six performance audits were started during July, 2003-June, 2004. As of November 4, 2005, the reports had not yet been issued. The Auditor will continue to increase the number of performance audits over time to meet the goals set in the Risk-Based Internal Audit Plan, as resources allow. The plan has not been fully implemented. The significant number of mandated audits impacts the ability to conduct periodic performance audits.

## **RECOMMENDATION**

05-22        IMPLEMENT THE RISK-BASED INTERNAL AUDIT PLAN IN A MORE  
TIMELY AND EFFICIENT MANNER

## **RECORDER DIVISION RECORDS MANAGEMENT**

### **BACKGROUND**

The ACR was given responsibility for the Records Management Program on July 1, 2001.

In 2001 the County Administrative Office (CAO) did a survey of 33 departments on document retention and found there are 57 different off-site storage areas, with no particular safety or security measures. Each individual department negotiates their own storage contract; therefore the ACR office does not know the location of these facilities.

The locations where ACR stores records are: Hall of Records, 222 West Hospitality Lane, San Bernardino; Records Management Center and Central Stores, 777 East Rialto Avenue, San Bernardino; Iron Mountain, 13379 Jurupa Avenue, Fontana.

### **FINDINGS**

A consultant was contracted at a cost of \$74,000 to help ACR employees develop a retention schedule and records management policy for all County departments. The ACR retention schedule is complete. The Treasurer/Tax Collector and the District Attorney have begun to develop their retention schedules. The next two departments to develop their retention schedules will be Human Resources and Information Services. Each department has to determine how long, for what reason and to what extent documents are to be retained. Documents prior to 1992 are now scheduled to be shredded.

The County maintains documents and records from as far back as 1853. Original documents from the formation of the County are maintained. Documents that relate to legal obligations and/or custodial issues are required to be maintained. There is no current electronic technology that produces records of archival quality. There are boxes of stored documents in a warehouse on Rialto Avenue. There are plans to move the Archives to a more secure location. Approval from the CAO is needed to move Archives to a different area/building. This will open up approximately 5,000 square feet in the warehouse.

The consultant is knowledgeable of all requirements for retention and/or destruction. After the consultant makes recommendations, software systems can be studied. The CAO is requiring each department designate a lead person for records management. The consultant, along with two designated ACR employees, will assist departments with training on records management responsibilities. The two ACR employees have been assigned this project in addition to their regular job duties and are not dedicated to only records management.

A new records retention center is needed for the ACR, but a site for that facility has not been selected. The ACR is conducting an assessment of the existing Records Management storage facilities. This will determine if the space requires remodeling or if new construction will be required.

The Auditor stated the department is in the initial stages of a lengthy project. To fully implement the project, a building, software, personnel and funding are required. Each County department requires training in records management. The task of Records Management has been a low priority for departments, so it is a challenge for the ACR to change the mind-set of each department. This low priority has caused delays in implementation.

## **RECOMMENDATIONS**

- 05-23 THE AUDITOR/CONTROLLER-RECORDER APPOINT TWO FULL-TIME STAFF DEDICATED TO IMPLEMENTING THE COUNTY RECORDS MANAGEMENT PROGRAM.
- 05-24 EXPEDITE A DECISION ON A CENTRAL RECORDS RETENTION CENTER.
- 05-25 ACCELERATE IMPLEMENTATION OF THE RECORDS MANAGEMENT SYSTEM IN ALL COUNTY DEPARTMENTS.