

ADMINISTRATIVE/FINANCE COMMITTEE



ADMINISTRATIVE/FINANCE COMMITTEE

MEMBERS

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ADMINISTRATIVE/FINANCE COMMITTEE

The Administrative/Finance Committee had the responsibility for investigating the following County departments and/or agencies:

- Assessor
- Auditor Controller/Recorder
- Board of Supervisors
- County Administrative Officer
- Human Resources
- Treasurer-Tax Collector

Additionally, in conjunction with specific investigations, the Administrative/Finance Committee also visited the following County Departments and Agencies:

- Arrowhead Regional Medical Center (ARMC)
- Information Services Department
- Inland Counties Emergency Medical Agency (ICEMA)
- Public Health Department

Subcommittees were established to review these departments or consulted with them on other issues the Committee was dealing with. The Board of Supervisors (Board), the County Administrative Officer (CAO), department directors and principle office personnel were interviewed during the investigations. This activity resulted in final reports and recommendations for the Board of Supervisors.

Three and sometimes four committee members regularly attended the Board of Supervisors' weekly Tuesday meetings. Board decisions on agenda items were reported to the full Grand Jury each week.

During the 2009-2010 tenure of the Administrative/Finance Committee, the County Administrative Officer was terminated without cause. A replacement was appointed effective February 15, 2010. He is the seventh CAO since 2001.

The findings and recommendations in final reports for the Board of Supervisors and the CAO follow.

BOARD OF SUPERVISORS

DISCRETIONARY FUNDS

SUMMARY

Government Code 26227 allows that “the Board of Supervisors of a County may appropriate and expend money from the general fund of the county to establish county programs or to fund other programs deemed by the Board of Supervisors to be necessary to meet the social needs of the population of the county, including **but not limited** to, the areas of health, law enforcement, public safety, rehabilitation, welfare, education, and legal services, and the needs of physically, mentally and financially handicapped persons and aged persons.”

“The Board of Supervisors may contract with other public agencies, private agencies, or individuals to operate those programs which the Board of Supervisors determines will serve public purposes. In the furtherance of those programs, the board of supervisors may make available to a public agency, nonprofit corporation, or nonprofit association any real property of the county which is not and, during the time of possession, will not be needed for county purposes, to be used to carry out the programs, upon terms and conditions determined by the board of supervisors to be in the best interests of the county and the general public, and the board of supervisors may finance or assist in the financing of the acquisition or improvement of real property and furnishings to be owned or operated by any public agency, nonprofit corporation, or nonprofit association to carry out the programs, through a lease, installment sale, or other transaction, in either case without complying with any other provisions of this code relating to acquiring, improving, leasing, or granting the use of or otherwise disposing of county property.”

“A program may consist of a community support program including a charitable fund drive conducted in cooperation with one or more nonprofit charitable organizations if the Board of Supervisors deems a program will assist in meeting the social needs to the

population of the county. If the board establishes a program, the officers and employees of the county shall have the authority to carry out the program, using county funds and property if authorized by the board. During working hours, a program may include direct solicitation by county officers and employees and the assignment of officers and employees to attend or assist in the administration of program activities if authorized by the board.”

BACKGROUND

Since 1999, the County of San Bernardino Board of Supervisors has had “Discretionary Funds” in their budget. These have been referred to as “Priority Policy Needs” funding. Each District Supervisor receives this money in their budget each year. The amount varies each year between a low of \$400,000.00 per district in 2005-2006 to a high of \$750,000.00 per district in 2009-2010. Any unused funds are carried over to the next year’s budget. The total at the start of the 2009-2010 budget year was \$6,519,645.00. In 2007 the Board of Supervisors created a new line of funds called “Board Elective Projects.” They received a total of \$10,000,000.00 (\$2,000,000.00 per supervisor) in their 2007-2008 budgets. In 2008-2009 they received \$1,000,000.00 per district and no funding for the 2009-2010 budget. At the start of the 2009-2010 budget year, there was a total of \$9,605,250.00 in the Board Elective Projects budget. Thus, for the 2009-2010 budget year, the two “Discretionary Funds” had a balance of \$16,124,895.00.

The primary difference between the two funds is that expenditures from the Priority Policy Needs fund requires approval of the Board of Supervisors. For the Board Elective projects, it only requires Board approval if the contract exceeds \$100,000.00.

Up until September of 2009, there was no written policy for administration of the Board Discretionary Funds. On September 15, 2009, the Board of Supervisors adopted policy 02-18, establishing a written policy and implementing procedures regarding the administration of Board Discretionary funding allocations.

It should be noted that in these new policies and procedures it clearly states that money from these funds can be used for County Department projects as well as other governments within the County and community projects of all kinds.

FINDINGS

1. At the start of the 2009-2010 budget year, there was a total of \$16,124,895.00 budgeted for Priority Policy Needs and Board Elective Projects.
2. Over the last several years, Supervisors have transferred hundreds of thousands of dollars from their Discretionary Funds to fund additional staffing of their Districts.
3. For the Final 2009-2010 Budget, the five Supervisors transferred \$2,671,810.00 from their Priority Policy Needs Allocations to fund additional staffing in their Districts.
4. During the first 6 months of the current budget year, the Supervisors spent a total of \$1,570,665.00 from Priority Policy Needs funds. However, only \$321,357.00 (21%) was spent on Priority Policy Needs projects, but \$1,249,308.00 (79%) on their office staffing.
5. Funding for the Board of Supervisors' additional staffing taken from the "Priority Policy Needs" allocations appear with the code "Budgeted PPN Offset." It is difficult to know this line is for Supervisors' staff.
6. One District transferred \$765,499.00 from the 2009-2010 Budget to fund additional staff, which is \$15,499.00 more than the amount the District was allocated from the Priority Policy Needs budget.

7. Since the 2003-2004 Budget, the number of Supervisor’s budgeted staff has increased from 39.5 to 65 in 2009-2010, a 63.5% increase.
8. According to the Secretary of State, since 2004, the County population has only increased by 5.85%, from 1,946,993 to 2,066,950 at the beginning of 2010, an increase of 113,957.
9. There are no guidelines or specific written documentation which states how many staff a Supervisor may hire.
10. All Supervisors’ staffs are contract employees.
11. For the 2009-2010 Budget year, the Districts’ budgeted staff size, including the Supervisor, are

District 1	16
District 2	11
District 3	13
District 4	17
District 5	10

Currently, District 1 has one vacancy and District 4 has four vacancies, so there are only 62 staff and Supervisors.

12. With the current state of the economy and the County facing a \$90 million budget shortfall for the 2010-2011 budget, the County will undoubtedly have to make considerable cutbacks in all departments and services.

RECOMMENDATIONS

- 10-01 Transfer remaining balance from both Priority Policy Needs and Board Elective Projects discretionary funding back into the County general fund for the next couple of years to help offset the County budget shortfall, and especially to help fund necessary improvements. (Findings 1, 11)
- 10-02 Budgeting for all Board of Supervisors’ staffing should be included in the general budget and coded the same as all county personnel costs. (Finding 5)

<u>RESPONDING AGENCY</u>	<u>RECOMMENDATIONS</u>	<u>DATE</u>
Board of Supervisors	10-01 through 10-02	09-30-2010

SENSITIVE PROPERTY

BACKGROUND

The Grand Jury became aware of the process for identifying property and or equipment purchases with a unit value of \$5,000 or more. The property and/or equipment purchases are identified through accounting and financial reporting process through the Auditor-Controller/Recorder/Treasurer/Tax Collector (ATC) Department and elicit a procedure in which they are identified and assigned a property tag number as fixed assets for the County. Property tags are then issued to the respective department to be placed on the appropriate equipment. A physical inventory is conducted annually, and the ATC Department reports to have 100% compliance as to submission of the certified inventory reports.

This investigation led the Grand Jury to examine property and/or equipment purchases with a unit value of less than \$5,000. Property that is valued under \$5,000 is categorized as “sensitive property.” Several examples of purchases that fit within this monetary value would include video monitors, cameras, printers, facsimile machines, shredders, liquid crystal display (LCD) televisions, digital video disc (DVD) players, electric drills, tool sets, etc. The Grand Jury learned that the County does have an equipment control procedure for property with a unit value of \$1,000 up to \$5,000, but the procedure is not enforced. Therefore, there is no true accountability or physical inventory conducted of property valued under \$5,000. The Grand Jury began an investigation of the County procedure for the accountability of sensitive property and compliance.

METHODOLOGY

The Grand Jury began by reviewing the County of San Bernardino Standard Practice 11-04 SP3, Equipment Control, which took effect on June 1, 2001 (see

Attachment 1). The Standard Practice procedure indicates in part that “Each department is responsible to maintain a list of sensitive equipment items (not defined as fixed assets in 11-04 SP2) as identified:

- a) All electronic devices with a monthly access or rental lease fee including, but not limited to, cellular telephones, photocopiers and radio communication devices.
- b) All personal digital assistants (PDAs), digital cameras or video cameras, and any electronic equipment or photography equipment with a purchase price of \$1,000 up to \$5,000.
- c) All computer central processing units (CPUs) laptop computers and all printers, scanners, monitors and facsimile machines with a purchase price of \$1,000 up to \$5,000.
- d) Each department may make a determination to include items in addition to those identified in this Standard Practice on its list.”

Standard Practice 11-04 SP3 also states “Once a department establishes the list of sensitive equipment, the list shall be updated on an annual basis and filed with the County Clerk.”

The Grand Jury discovered the County Clerk mentioned in the Standard Practice is the Recorder’s Office of the ATC Department. The Grand Jury requested the Recorder/County Clerk provide the current annual list of the sensitive property that each department is required to file with their office as stated in #11-04 SP3. After reviewing the documents, it became apparent that few departments were in compliance. The Recorder’s office stated that their office is the filing office for this report and not the regulator.

The County of San Bernardino is comprised of 40 departments. Following is a matrix showing the numbers of departments who filed their sensitive equipment by year.

CALENDAR YEAR	NUMBER OF DEPARTMENTS
2001	0
2002	4
2003	34
2004	37
2005	4
2006	4
2007	1
2008	1
2009	1
2010	1

The Grand Jury discovered copies of Interoffice Memorandums from two (2) County Administrative Officers that were dated June 5, 2003, and June 15, 2004 regarding the annual reporting of sensitive equipment. The Grand Jury did not find any other Interoffice Memorandums that were generated in the years following to remind the County departments to refer back to Standard Practice 11-04 SP3 and submit their sensitive equipment list to the Recorder/County Clerk by a due date. As reflected by the matrix above, in the 2003 and 2004 years, the majority of the departments did file their sensitive property list after the Interoffice Memorandum was distributed. However, the lists were submitted using different formats; did not contain the same information; and did not reflect a unit value.

The Grand Jury discovered the County does not have a “Policy” regarding equipment control. The difference between a “Policy” and a “Standard Practice” is that the Policy is the overriding governance activity and direction and the Standard Practice is the actual process and procedure for carrying out the policy. In other words, a Standard Practice provides detailed instructions for execution at the appropriate organizational levels.

The Grand Jury also reviewed the County’s Internal Control and Cash Manual, Chapter 17 – Transfer of Assets and Other Property, Item D – Other Assets which states “The department is required to account for other assets. Accounts receivable and inventories represent two of the most common types of other assets. It also includes *sensitive equipment items*, not considered fixed assets, as identified in County Policy #11-04 SP3. Please provide the dollar value and supporting documentation of the other assets.”

The Grand Jury performed unscheduled audits of random County departments to determine if they were aware of the Standard Practice regarding Equipment Control for sensitive equipment. The Grand Jury asked if they could produce their department’s sensitive property lists. They then asked if they had neglected to submit to the County Recorder’s Office their list as required in the Standard Practice. The following table indicates the results of the random audits that were conducted on April 21, 2010.

DEPARTMENT	AWARE OF STANDARD PRACTICE	ON-SITE LIST AVAILABLE	LIST RECEIVED LATER
Assessor	No	No	Yes
Environmental Health Services	No	No	Yes
1 st District Field Offices	No	No	Yes
2 nd District Field Office	No	No	Yes
3 rd District Field Office	No	No	Yes
4 th District Field Office	No	No	Yes

Additionally, while at these offices, the Grand Jury noticed that equipment defined on Standard Practice 11-04 SP3 was not identified by any type of internal property tag.

FACTS

- The County has Standard Practice 11-04 SP3 for maintaining equipment control of sensitive property.
- The years of 2003 and 2004 were the only years the majority of the County departments were in compliance of the Equipment Control Standard Practice Procedure.
- The respective County Administrative Officer has not continually generated and distributed an Interoffice Memorandum regarding departments filing their sensitive equipment list.
- The employees contacted during the Grand Jury random office audits were not aware of the Equipment Control Standard Practice 11-04-SP3.
- The offices visited during the random audits had no on-site list of sensitive equipment.
- The sensitive property lists that were filed with the County Recorder's office were submitted using different formats and reflected no monetary value.

FINDINGS

1. The County has no specific "Policy" to maintain control of sensitive property; it only has a Standard Practice Procedure.
2. Departments are not following Standard Practice 11-04 SP3, Equipment Control for sensitive items; adhering to the Standard Practice is not enforced.

3. The Standard Practice 11-04 SP3, Equipment Control, has no named regulator to enforce compliance.
4. The Standard Practice does not specify a due date for filing the sensitive property lists.
5. The Standard Practice 11-04 SP3, Equipment Control does not mention the tagging process.
6. Disasters of any nature could destroy equipment and/or records of equipment. There would be no records of equipment less than \$5,000.
7. There is no uniformity in filing the sensitive equipment report; each department submits their list in different format.
8. The sensitive equipment report reviewed has no monetary value listed on the items.
9. Sensitive equipment valued between \$1,000 and \$5,000 is not classified as fixed assets; many items can be easily transported without detection or easily diverted to personal use.
10. The Standard Practice does not specifically address equipment valued under \$1,000 that could make for a heightened risk of theft (“walk-away” items).
11. There were no on-site inventory lists of sensitive property at offices that were randomly audited.

RECOMMENDATIONS

- 10-03 Generate a mandatory “County Policy” regarding sensitive property control. (Finding 1)

- 10-04 The County Administrative Officer generates and distributes an Interoffice Memorandum each year, to each department head, regarding the annual reporting of sensitive equipment. (Finding 2)
- 10-05 Designate a department to oversee and implement the Policy and Procedure. (Finding 3)
- 10-06 Enhance Standard Practice 11-04 SP3, Equipment Control Procedure, to be clear and concise. (Finding 4)
- 10-07 Assign a property tag number and issue to the respective department to be placed on the identified sensitive equipment. (Finding 5)
- 10-08 Conduct an annual physical inventory before filing an updated list with the County Clerk. (Finding 5)
- 10-09 Implement policy for inventory of equipment that has a unit value of less than \$1,000 in Standard Practice 11-04 SP3. (Finding 6)
- 10-10 Create a spreadsheet with headings that list the necessary information for the control of equipment. The spreadsheet must be utilized by all departments when filing their sensitive equipment report to the Recorder/County Clerk. (Findings 7, 8)
- 10-11 Establish a sensitive equipment list for departments to use as a guideline of equipment that must be reported. (Finding 9)
- 10-12 Ensure that each department maintains an on-site inventory list of sensitive property at each satellite office. (Finding 9)

- 10-13 Include an annual due date on Standard Practice 11-04 SP3 for filing the sensitive property lists with the Recorder/County Clerk. (Finding 4)
- 10-14 Mandate all County departments and elected official's offices update and reconcile their current holdings and provide current inventories of sensitive properties at the end of each Fiscal Year and submit to the County Recorder's Office by an assigned due date. (Finding 11)

<u>RESPONDING AGENCY</u>	<u>RECOMMENDATIONS</u>	<u>DATE</u>
County Administrative Office	10-03 through 10-14	09-30-2010



**COUNTY OF SAN BERNARDINO
STANDARD PRACTICE**

No. 11-04 SP3

ISSUE 1

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By

EFFECTIVE 06/01/01

DEPARTMENT

APPROVED

SUBJECT

EQUIPMENT CONTROL

WILLIAM H. RANDOLPH
COUNTY ADMINISTRATIVE OFFICER

PURPOSE

This Standard Practice establishes that the authority and responsibility for maintaining control of the County’s equipment rests with each department. Departments are required to maintain control of the items described in this Standard Practice based upon the procedures described below.

PROCEDURES

1. Each department is responsible to maintain a list of sensitive equipment items (not defined as fixed assets in 11-04SP2) as identified:
 - (a) All electronic devices with a monthly access or rental lease fee including, but not limited to, cellular telephones, photocopiers and radio communication devices.
 - (b) All personal digital assistants (PDAs), digital cameras or video cameras and any electronic equipment or photography equipment with a purchase price of \$1,000 up to \$5,000.
 - (c) All computer central processing units (CPUs), laptop computers, and all printers, scanners, monitors and facsimile machines with a purchase price of \$1,000 up to \$5,000.
 - (d) Each department may make a determination to include items in addition to those identified in this Standard Practice on its list.
2. “Purchase price” is defined as the acquisition cost of an item, including the purchase price, before trade-in allowance, less discounts, plus freight, transportation and installation costs and sales or use tax.
3. Each department will be responsible to ensure that employees return County property, which is provided for use off site, to the department in the event of the transfer, termination or separation from employment.
4. Once a department establishes the list of sensitive equipment (as well as those items added to the list pursuant to 1(d) above), the list shall be updated on an annual basis and filed with the County Clerk.