

RESPONSE TO GRAND JURY REPORT

Report Title: Distrust, Disagreements, Dysfunction: Non-Communication Minus Cooperation Divided by Variable Policies and Multiplied by Missing Reports Equals Financial Chaos

Report Date: June 27, 2022

Response by: Humboldt County Board of Supervisors

FINDINGS

The Board of Supervisors agrees with Findings 6, 13, 16 and 17.

The Board of Supervisors partially agrees with Findings 5 and 14.

RECOMMENDATIONS (R1, R4, R5, R6, R7, R8, R9, R14, R17, R18, R19)

Recommendations numbered 7 and 19 will be implemented.

Recommendations numbered 4 and 6 have been implemented.

Recommendations numbered 1, 5, and 8 are in the process of being implemented.

Recommendation numbered 9 will not be implemented.

Recommendations 14, 17, and 18 cannot be implemented by the Board of Supervisors.

Date: _____ Signed: _____

Number of pages attached: 6



COUNTY OF HUMBOLDT
COUNTY ADMINISTRATIVE OFFICE
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INTEROFFICE MEMORANDUM

TO: BOARD OF SUPERVISORS
FROM: ELISHIA HAYES, COUNTY ADMINISTRATIVE OFFICER
SUBJECT: RESPONSE TO 2021-22 GRAND JURY REPORT “DISTRUST, DISAGREEMENTS,
DYSFUNCTION”
DATE: NOVEMBER 29, 2022

In the Grand Jury Report, “Distrust, Disagreements, Dysfunction,” the Grand Jury has requested that your Board respond to Findings 5, 6, 13, 14, 16 and 17 and Recommendations 1, 4, 5, 6, 7, 8, 9, 14, 17, 18, and 19. I am proposing the following response as detailed below.

FINDINGS

Finding 5: The Board of Supervisors is responsible for the administration and management of the County’s business practices; however, the Supervisors did not respond in an effective manner to information provided to them regarding dysfunction on many levels between the County Administrative Officer, Auditor-Controller, other elected officials, and department directors.

Response: Partially agree

The Auditor-Controller is an independently elected official, and as such the Board of Supervisors has limited tools to direct their actions. The Board, however, in 2018 placed a measure on the ballot for voters to decide whether the position of Auditor-Controller and Treasurer-Tax Collector should become one position, the Director of Finance, and whether that position should be appointed by the Board of Supervisors. Such a position would allow the Board of Supervisors to more effectively and quickly solve finance-related issues while ensuring an experienced, qualified individual serves in that role.

By law, elected officials must reside in the jurisdiction they serve. The County of Humboldt has an annual operating budget of more than \$500 million, the largest of any organization in the region, 18 departments, more than 2,000 employees, more than 40 community services districts, fire districts and school districts. It can be

difficult in a small community like Humboldt to find an individual who not only possesses the qualifications, but also the experience, leadership and interpersonal skills needed to effectively lead such a large and complex agency as its chief accountant, as well as someone who is willing to conduct their affairs as a public official subject to public inspection, review and criticism. However, the Board collectively leads the County of Humboldt and is ultimately responsible for the financial well-being of the organization, and its response did not prevent the dysfunction.

Finding 6: *Humboldt County Code, Sec. 241-6(a) requires the County Administrative Officer and the Auditor-Controller to cooperate in the preparation of the County's annual budget. There is a general obligation that the two offices collaborate to ensure fiscal responsibility; however, this is being obstructed by a breakdown of trust and communications between the two offices.*

Response: Agree

The County Administrative Office (CAO), after receiving direction from the Board, during open session and the mid-year budget report, provides departments their fixed cost estimates for the coming year (salary and benefits costs; insurance; Information Technology charges; Purchasing; Motorpool, etc.) as well as the amount of General Fund allocation they will receive. At the mid-year budget report, the Board also provides direction on priorities for any additional General Fund requests that departments may have.

Typically, in April, departments come before the Board during two informational meetings to discuss directly with the Board the condition of their budgets and programs. These are also opportunities for departments to express to the Board their need for any additional funding request(s) they have submitted. During this same time (typically in March and April), CAO staff meet individually with each department to discuss their budgets, answer questions, and hear concerns.

The CAO then gathers all this information and considers the additional funding requests in light of the Board-approved priorities and discussions and makes a recommendation to the Board in June in the form of the Proposed Budget. From there, the Board holds a public hearing to hear from the public and discuss the Proposed Budget with departments. Again, these are additional opportunities for departments to come before the Board to express their needs.

The CAO provides all these public meeting dates to departments at the beginning of the budget development process. The Auditor-Controller did not participate in any of these processes for FY 20-21, 21-22, or 22-23.

Finding 13: *The County paid unnecessary credit card interest; lost bank interest; paid for consultants to assist with finances and other professional or personnel services; faced delays in receiving funds; paid fines and late fees; and missed opportunities to secure grants. These losses were the results of payments or required reports not submitted on time by the Auditor-Controller.*

Response: Agree

Finding 14: *The County's financial procedures are decentralized in that different processes for accounting are used by different departments, including the use of spreadsheets and some use of paper timecards.*

Response: Partially Agree

All county departments use the same central financial software for accounting, CentralSquare Technologies, Finance Enterprise. The central agencies responsible for issuing financial procedures are the Auditor-Controller and CAO. Each department then may produce their own department-specific procedures that allow them to streamline application of rules from the central agencies to their individual programs. Some departments, including Department of Health and Human Services (DHHS) and Public Works must adhere to unique financial procedures, timelines and deadlines required by state and federal agencies. In other cases, like in the Sheriff's Office, the central software responsible for payroll, Executime, which feeds into Finance Enterprise, is not currently set up to handle the unique circumstances of, and portions of labor agreements that apply to, 24/7 employees like Sheriff's and Correctional Deputies. These factors have necessitated the use of other timekeeping measures than Executime.

Finding 16: The Board of Supervisors adopted Resolution 21-128 affirming, unless otherwise authorized by law, all interest on monies deposited with the County belongs to and shall be paid quarterly into the General Fund and the Auditor-Controller is authorized and directed to act in compliance with the resolution and Government Code section 53647.

Response: Agree

Finding 17: The County Administrative Officer is responsible for supervising County business affairs, as charged by the Board of Supervisors, specifically including, supervising all departments for whom the Board adopts an annual budget.

Response: Agree

The Chief Administrative Officer is charged with supervising the affairs of the county and those entities for whom the Board adopts an annual budget. It enforces and carries out the Board's policies, coordinates the administration of departments and services under the Chief Administrative Officer's supervision and makes recommendations on transferring personnel services between them. The Chief Administrative Officer, in cooperation with the Auditor-Controller, supervises the budget, and reviews all requests for additional personnel and makes recommendations to the Board on those matters. Finally, upon direction from the Board, the Chief Administrative Officer may assist in performing evaluations of department heads, and recommend to the Board appointment, reassignment, reduction or discipline up to and including termination.

The Board is ultimately charged with performing evaluations and retains appointing authority over non-elected department heads. The residents and voters of Humboldt County review the performance of elected officials, even though the Board adopts the annual budgets of the departments within which those elected officials operate.

RECOMMENDATIONS (R1, R4, R5, R6, R7, R8, R9, R14, R17, R18, R19)

Recommendation 1: The Humboldt County Civil Grand Jury recommends the Auditor-Controller develop and maintain an accessible (and regularly updated) written and comprehensive operations policy and procedures manual that is available to current staff and new-hires. The Grand Jury recommends a draft manual be completed by Dec. 31, 2022, and fully implemented by July 1, 2023.

This recommendation is in the process of being implemented.

The county contracted with the accounting and financial services consultant Macias, Gini & O'Connell, LLP (MGO) to develop and update the County's Financial Policies Manual to serve this very purpose. The draft manual was completed by MGO in the fall of 2021. County Counsel and the CAO have reviewed the manual and provided feedback. The prior Auditor-Controller had not provided feedback on the manual. The Interim Auditor-Controller Cheryl Dillingham is reviewing the manual and expected to provide feedback in early 2023. Presentation for possible adoption by the Board of Supervisors is anticipated in 2023.

Recommendation 4: *The Humboldt County Civil Grand Jury recommends the Auditor-Controller provide accessible, written policies and procedures to County departments, school and special districts and other organizations for which financial services are provided. These will clearly state terminology and methods required by the Auditor-Controller. The Grand Jury recommends this be completed by Dec. 31, 2022, as part of the policies and procedures manual development.*

This recommendation is in the process of being implemented.

Recommendation 5: *The Humboldt County Civil Grand Jury recommends the Auditor-Controller follow established procedures by submitting an annual budget proposal to the County Administrative Office for Fiscal Year 2022/2023, and for each subsequent fiscal year.*

This recommendation has been implemented.

The Auditor-Controller submitted a budget proposal to the CAO for Fiscal Year 2022/23 which was incorporated into the Fiscal Year 2022/23 budget adopted on Sept. 27, 2022.

Recommendation 6: *The Humboldt County Civil Grand Jury recommends that with the Fiscal Year 2022/2023 budget request, the Auditor-Controller submit a plan to meet operational requirements, including staffing requirements needed to achieve the plan's goal. When the budget request is approved, the plan, which will reduce the need for the County to hire consultants, should be implemented by June 30, 2023.*

This recommendation has been implemented.

The CAO and new Auditor-Controller worked together to determine the needs to meet operational requirements and available resources in Fiscal Year 2022/23.

CAO staff included a place-holder budget for the Auditor-Controller's office in the Recommended FY 2022-23 Budget and increased the Contingency Funds budget by more than \$900,000 to \$2.5 million understanding that additional resources would be necessary to complete the backlog of financial transactions and reporting in the Auditor-Controller's office. During the budget hearing in September, the Board approved including allocations of \$200,000 for staffing and consultants, \$735,000 for renovation and ADA updates pertaining to the Auditor's office, and \$439,000 for Internal Revenue Service penalties and interest for late payroll tax payments and quarterly filings. These allocations were finalized with the adopted budget on Sept. 27, 2022. Staff vacancies and unsuccessful staff recruitments have created additional challenges in filling several already allocated and budgeted positions that exist in the Auditor Controller's department. Staff from the CAO were loaned to the new Auditor-Controller to help with the transition and ongoing operational requirements.

Recommendation 7: *The Humboldt County Civil Grand Jury recommends that when notified of conflicts between elected and appointed officials, the Board of Supervisors act promptly to investigate and take necessary actions.*

This recommendation will be implemented.

Recommendation 8: *The Humboldt County Civil Grand Jury recommends the Board of Supervisors establish an Advisory Committee to include the County Administrative Officer, Auditor-Controller and Board appointees of no less than three other elected officers or department heads. This committee may include a facilitator to help enable the transfer of institutional knowledge, set goals and build on complementary strengths. The Grand Jury recommends this committee be established by Oct. 1, 2022.*

This recommendation is in the process of being implemented.

The county has an established Audit Committee which, if utilized by the Auditor-Controller can be built upon to fulfill many of the objectives outlined above. The current Audit Committee includes the Auditor-Controller, the Chief Administrative Officer and the Treasurer Tax Collector as nonvoting members. The Board of Supervisors appointed two of its members to the committee, one special district or school member, and two qualified members of the public. The challenges with the Auditor-Controller, the Board of Supervisors, the CAO and other county departments was rooted in communication issues, which are improving under Ms. Dillingham serving as Interim Auditor-Controller and is anticipated to continue when she assumes the elected office after Jan. 1, 2023.

Recommendation 9: *The Humboldt County Civil Grand Jury recommends the Advisory Committee convene on a regularly scheduled monthly basis or more frequently whenever a majority of the members deems it desirable or necessary. Effective upon establishment of the committee.*

This recommendation will not be implemented.

As stated in the response to Recommendation 8, the county has an established Audit Committee in large part due to communication issues that are not anticipated to continue under new leadership in the Auditor-Controller's Office. Staff are currently meeting as needed with the Auditor-Controller and communication has improved. That arrangement is proving effective.

Recommendation 14: *The Humboldt County Civil Grand Jury recommends if the Auditor-Controller anticipates a required financial report or audit cannot be filed on time, the Board of Supervisors be notified and assistance be requested from the County Administrative Officer, and if needed, from the Treasurer-Tax Collector, impacted departments or agencies, and the State Controller's Office.*

This recommendation cannot be implemented by the Board of Supervisors.

The Board of Supervisors fully supports this recommendation, however; the recommendation is for the Auditor-Controller to notify the Board and request assistance from the CAO and if needed other departments or agencies.

Recommendation 17: *The Humboldt County Civil Grand Jury recommends the Auditor-Controller post all journal entries no later than 30 days from the date they were submitted.*

This recommendation cannot be implemented by the Board of Supervisors.

The Board of Supervisors supports this recommendation, however; the recommendation is for the Auditor-Controller to post journal entries no later than 30 days from the date they were submitted. If needed, the Board may direct staff to develop and abide by policies adopted by the Board to ensure the Auditor-Controller can meet this timeline.

Recommendation 18: *The Humboldt County Civil Grand Jury recommends the Auditor-Controller comply with the Board of Supervisors' Resolution 21-128.*

This recommendation cannot be implemented by the Board of Supervisors.

The Board of Supervisors completely supports recommendation, however; the recommendation is for the Auditor-Controller to comply with Resolution 21-128. If needed, the Board may direct staff to develop and abide by policies adopted by the Board to ensure the Auditor-Controller can comply with Resolution 21-128.

Recommendation 19: *The Humboldt County Civil Grand Jury recommends the County Administrative Officer comply with the County Code requirement of supervising all County departments by requiring all departments to submit financial documents to the Auditor-Controller within the timeframe and in the manner necessary to meet established reporting and filing deadlines.*

This recommendation will be implemented.

As stated in the response to Finding 17, the Chief Administrative Officer is charged with supervising the affairs of the county and those entities for whom the Board adopts an annual budget. It enforces and carries out the Board's policies, coordinates the administration of departments and services under the Chief Administrative Officer's supervision and makes recommendations on transferring personnel services between them. The Chief Administrative Officer, in cooperation with the Auditor-Controller, supervises the budget, and reviews all requests for additional personnel and makes recommendations to the Board on those matters. Finally, upon direction from the Board, the Chief Administrative Officer may assist in performing evaluations of department heads, and recommend to the Board appointment, reassignment, reduction or discipline up to and including termination.

However, the Board is ultimately charged with performing evaluations and retains appointing authority over non-elected department heads. The residents and voters of Humboldt County review the performance of elected officials, even though the Board adopts the annual budgets of the departments within which those elected officials operate.

Finally, the Auditor-Controller creates their own guidelines and deadlines, not the Chief Administrative Officer. While the Chief Administrative Officer and county will strive to meet those requirements, it is incumbent upon the Auditor-Controller to clearly delineate and make reasonable the information, records, and deadlines they require and require departments to meet.