



COUNTY OF HUMBOLDT

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Date	Ver.	Action By	Action	Result
9/11/2018	1	Board of Supervisors	approved	Pass

To: Board of Supervisors

From: County Administrative Office

SUBJECT:

Auditor Controller Accounting and Management Review

RECOMMENDATION(S):

That the Board of Supervisors receive a report from Cooperative Personnel Services Human Resources Consulting (CPS HR) regarding the Auditor-Controller Management and Accounting Review; direct all departments to participate in an Accounting Systems Improvement working group; direct staff to return to your Board with a transition plan to transfer Human Resource responsibilities contained in the Payroll Division of the Auditor's Office to the Human Resources Department; and take other action as necessary.

SOURCE OF FUNDING:

1100 General Fund

DISCUSSION:

On Nov. 7, 2017 staff from the Auditor-Controller's Office spoke to your Board about being "severely understaffed" and that because of understaffing they may be unable to detect "unethical and fraudulent financial activity." Further, in an article published in local media on Nov. 17, 2017 Auditor-Controller staff made further statements that "the county isn't following proper accounting and budgeting procedures." The media report also alleged mismanagement within the office itself.

In response your Board directed the County Administrative Officer on February 7, 2018 to secure independent firms with organizational and accounting expertise to conduct a management and accounting review of the Auditor-Controller's Office. Subsequently contracts and supplemental budgets were executed with Craig Goodman, CPA (March 13, 2018) and Cooperative Personnel Services (March 20, 2018) to review the accounting and budget practices, as well as the management practices in the Auditor-Controller's Office.

Today's action is the second report to be received by your Board on the Accounting and Management Review. Your Board previously reviewed the report from Craig Goodman, CPA on June 19. On June 19 your Board directed staff to return to your Board in 6 months with an update on the finding contained in Mr. Goodman's report.

Therefore, contained in the CPS HR report is a series of recommendations. Your Board may wish to direct staff to return with an action plan to implement recommendations related to the findings. Below are the recommendations.

- Review and update forms and procedures used by all county departments, provide training materials to simplify work systems and improve workflow in the Auditor-Controller's Office. This may require allocation of temporary positions. (Page 4, 5, 29).
 - Note: Your Board approved an additional 1.0 full-time equivalent (FTE) Accountant-Auditor I/II and an additional temporary 1.0 FTE Assistant Auditor-Controller in the fiscal year (FY) 2018-19 budget to help facilitate the transition to a new Auditor-Controller and improve supervisory capabilities, administration of the department and distribution of the workload.
 - Note: Current leadership in the Auditor-Controller's Office has participated in recent months in ongoing efforts to improve processes involving this office.
- Upgrade network cables. (Page 6, 31).
 - Note: Your Board approved an additional funding request of \$20,000 to upgrade network cabling in the FY 2018-19 budget, and this work has been completed.
- Create a mentorship program for all leadership positions in the Auditor-Controller's Office. (Page 7, 32)

The report also recommends, on pages 6 and 32, to formally recognize and create a cross-departmental working group for improvement of the accounts payable process by the Board of Supervisors, and that it be formally chartered and supported by a facilitator. Staff recommends modification of this recommendation to create a formally recognized Accounting Systems Improvement working group to collaboratively work through Government Accounting Standards Board (GASB) implementation and other process improvements such as accounts payable. This working group could report on their GASB implementation and process improvements efforts to the Hum 21 group and/or your Board.

The report further states, on page 37, that "the county would do well to look into options for managing payroll as an oversight department and allow the payroll unit to function more as [a] human resource unit rather than the Auditor-Controller." Therefore staff recommends your Board take action today to direct staff to return to your Board with a transition plan to transfer the Human Resources responsibilities contained in the Payroll Division of the Auditor's Office to the Human Resources Department.

FINANCIAL IMPACT:

The cost for the services of CPS HR is \$35,655. The Tax Loss Reserve Fund was utilized to cover this additional expense. If your Board chooses to move forward with any of the recommendations contained in the report there may be an additional cost to the General Fund.

This action supports the Board's Strategic Framework by safeguarding the public's trust by managing resources to ensure sustainability of services.

OTHER AGENCY INVOLVEMENT:

None

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board Discretion.

ATTACHMENTS:

CPS HR Consulting - Humboldt County Auditor-Controller Office: Management and Operations Study