

FILED

JUN 19 2006

**SUPERIOR COURT OF CALIFORNIA
COUNTY OF TRINITY
BY: DONNA REGNANI, DEPUTY CLERK**

DR

**TRINITY COUNTY GRAND JURY
2005-2006**

**FINANCE AND ADMINISTRATION COMMITTEE
FINAL REPORT**

COUNTY AUDITOR

**This Report was Approved
On June 6, 2006**

**2005-2006 TRINITY COUNTY GRAND JURY
FINANCE AND ADMINISTRATION COMMITTEE
FINAL REPORT**

REVIEW OF COUNTY AUDITOR

PURPOSE:

The Grand Jury is charged with reviewing county government departments to assure that residents of the county are being well served. This year the Finance and Administration committee interviewed the County Auditor, Brian Muir.

BACKGROUND:

The County Auditor is an elected position; Brian Muir has been Auditor for seven years. The Auditor is responsible for keeping records and accounts of all county departments.

METHOD OF INVESTIGATION:

In its review of the County Auditor's Office, the Finance and Administration Committee relied on personal interviews, documents and reports.

FINDING #1 (Duties):

The Auditor works closely with the County Administrative Officer (CAO), County Clerk, Assessor and Tax Collector. He issues checks against the county treasury, processes claims, assesses benefits, administers payroll, maintains insurance coverage as the county's risk manager, periodically audits county entities both financially and for grant-compliance; keeps accounts and records of all county transactions.

FINDING #2 (Is county expenditure on topical studies worthwhile?):

Most such studies are part of grant-funded projects and therefore, in a sense, pay for themselves. Similarly, expenditures on grants writers and administrators are self-funding in that they are typically covered under the terms of each grant. Examples of such studies include our Classification and Compensation Study, comparing Trinity's pay scales with those of other county administrations; the Airport Study; and the General Plan Study, which insures the county against lawsuits and construction delays.

RECOMMENDATION # 2:

Use grant funding to engage or internally train more professional grant writers and administrators.

FINDING #3 (Volunteer Fire Departments):

Under the Romero Bill (SB 1207) of 2002, the state, rather than the county, assumes regulatory responsibility and liability for the training and occupational safety requirements of Volunteer Fire Departments. The county, however, helps local Volunteer Fire Departments to pay Workman's Compensation Insurance. The Auditor's Office also provides accounting support to help volunteer firefighters meet the state's fiscal reporting and audit requirements for Special Districts.

FINDING #4 (Veterans' Services):

As per the recommendation of the 2004-2005 Grand Jury, the position of Veterans' Service Representative has been upgraded in the current fiscal year from part time to full time. A new Representative has been hired.

FINDING #5 (Budgeting and Cash-flow):

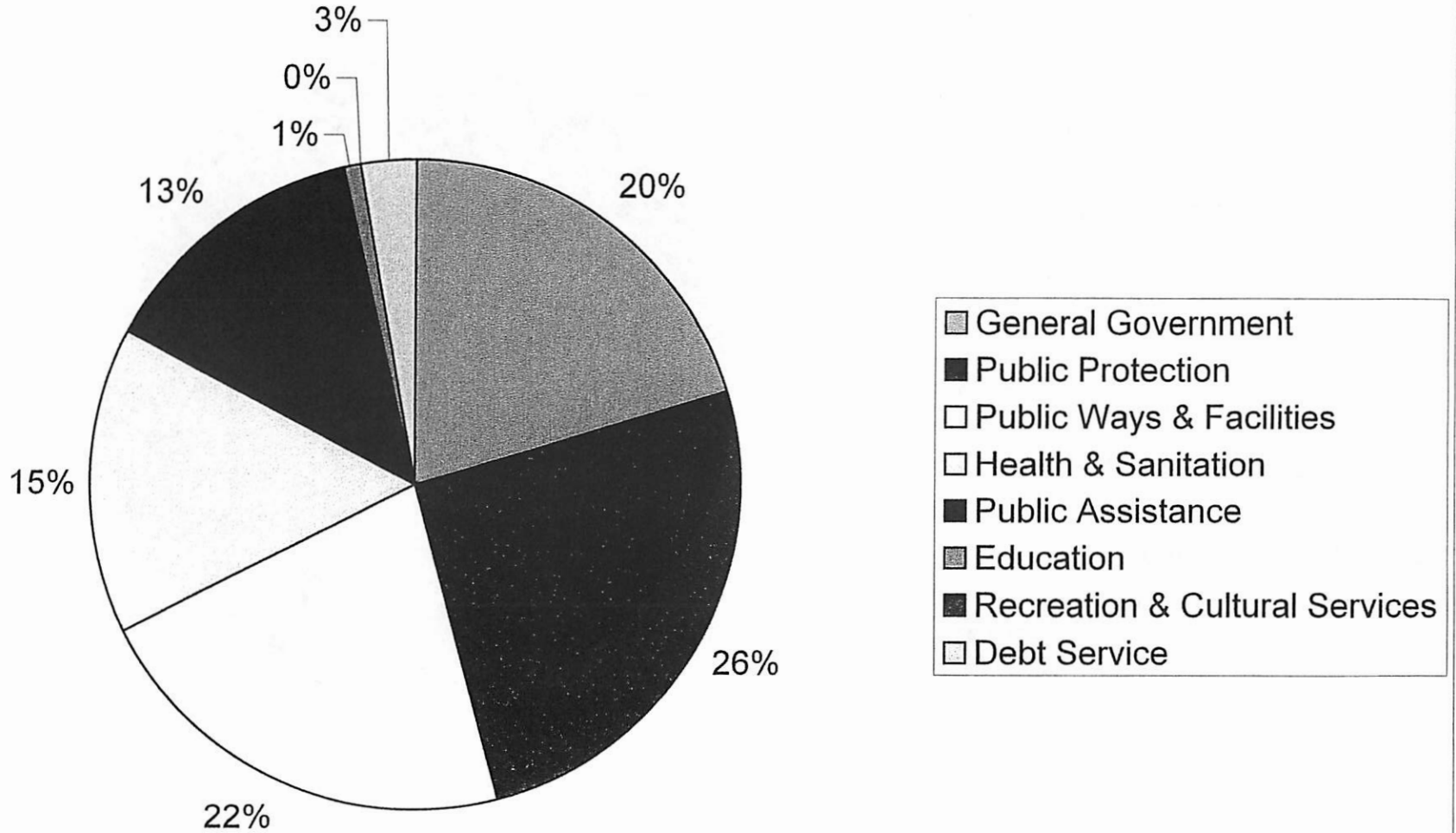
Apart from those departments that generate their own fee-based income, all other county departments are financed from the county's General Fund. Much of the county's expenditure is financed by the state. When the state is late in passing its own budget, the county has to keep running with a temporary budget that covers only ongoing operational expenses but excludes any major new outlays.

Every year around November, the county faces a cash crunch prior to its receipt of bi-annual Property Tax revenues in December. Normally this gap is bridged with a Tax Revenue Anticipatory Note (TRAN), but last year the county was ineligible for this funding pool since its debt rating dropped below investment grade. Instead, the county had to take out a loan from a bank. Although the county now meets the "investment grade" criteria, it might take another year for its debt rating to be restored, which could necessitate one more bank loan in the upcoming year.

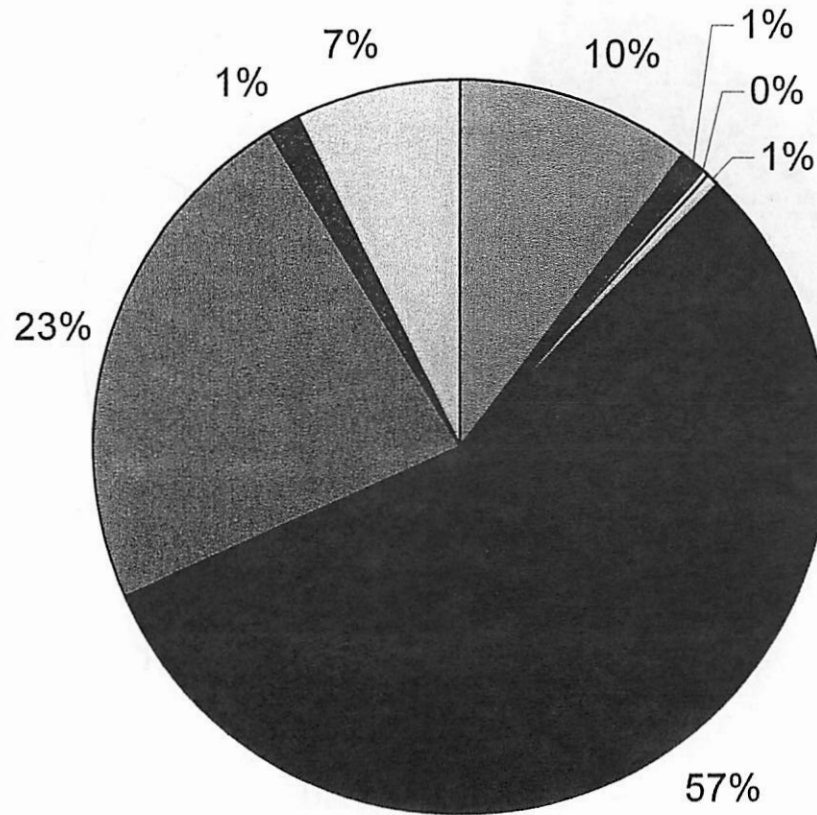
The other bi-annual Property Tax inflow, at the end of April, signals the start of the county's budget preparation cycle. After the property taxes are in, the Auditor's Office makes its projections for the coming year. These numbers go to the individual departments for refinement and renegotiation until an overall budget can be agreed upon. Some of the departments, such as Behavioral Health, are mandated to balance revenues against expenditures. Others run on county funding without generating any revenues of their own.

See the following pie charts for County Revenue and Expenditures for 2005-2006.

Trinity County Expenditures FY 05-06



Trinity County Revenues FY 05-06



- Taxes
- Licenses, Permits and Franchises
- Fines, Forfeitures & Penalties
- Use of Money and Property
- Intergovernmental Revenues
- Charges for Services
- Miscellaneous Revenues
- Other

FINDING #6 (Unpredictable timing of inter-departmental fee-for-service assessments):

Much of the county's departmental spending is grant-funded. The state requires that these funds be allocated according to strictly prescribed Office of Management and Budget procedures. In this there is no flexibility. So when one department offers support services (such as legal, accounting, clerical or data processing) to another department of county government, those hours have to be aggregated in a time-study and then apportioned according to strict rules. Some of these hours are charged to the General Fund, which are passed through to the end-user department after a lapse of two years. Others are billed to particular funds and passed through after a one-year lapse. As a result, department heads may feel "blind-sided" as they are unsure just when expenses incurred in a given year will impact their budgets. But these accounting procedures are state-mandated and beyond the county's control.

RECOMMENDATION # 6:

County Auditor should alert departments to any upcoming inter-departmental billings not posted in the same year as incurred.

CONCLUSION:

Considering the county's budgetary constraints and the resulting down-sizing, the Auditor's Office is doing a creditable job in dealing with a tremendous work load.

RESPONSES REQUIRED:

<u>Entity</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Respond in</u>
Auditor	2-3-4-5-6	2-3-4-5-6	60 days
Trinity County Board of Supervisors	2-3-4-5-6	2-3-4-5-6	90 days

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Trinity County Board of Supervisors	2-3-4-5-6	2-3-4-5-6	90 days



TRINITY COUNTY


BRIAN E. MUIR, COUNTY AUDITOR-CONTROLLER
DAVID NELSON, CHIEF DEPUTY AUDITOR-CONTROLLER
P.O. BOX 1230, WEAVERVILLE, CALIFORNIA 96093
PHONE (530) 623-1317 FAX (530) 623-1323

RECEIVED

JUN 21 2006

**TRINITY COUNTY
SUPERIOR COURT**

TO: The Honorable Anthony Edwards,
Presiding Judge of the Superior Court

FROM: Brian Muir, Auditor / Controller 

CC: Kelly Frost, Deputy Clerk to the Board of Supervisors

SUBJECT: Response to Recommendations of 2005-06 Trinity County Grand Jury Report re:
Finance and Administration Committee – County Auditor

DATE: June 20, 2006

The Grand Jury has requested a written response to their final report on Finance and Administration Committee – County Auditor. In my capacity as Auditor/Controller my response is as follows:

Finding #2 (Is county expenditure on topical studies worthwhile?): *Most such studies are part of grant-funded projects and therefore, in a sense, pay for themselves. Similarly, expenditures on grants writers and administrators are self-funding in that they are typically covered under the terms of each grant. Examples of such studies include our Classification and Compensation Study, comparing Trinity's pay scales with those of other county administrations; the Airport Study; and the General Plan Study, which insures the county against lawsuits and construction delays.*

Response: I agree in part. The Classification and Compensation Study and much of the work on the General Plan are not grant funded. However, with the exception of those that require a County match, most grants do pay for themselves.

Recommendation #2: *Use grant funding to engage or internally train more professional grant writers and administrators.*

Recommendation #2: I agree. Implementation of the recommendation is the responsibility of the County Administrative Officer to whom the Grants Administration Department reports. The Department recently hired another person to write and administer grants.

Finding #3: (Volunteer Fire Departments) *Under the Romero Bill (SB 1207) of 2002, the state, rather than the county, assumes regulatory responsibility and liability for the training and occupational safety requirements of Volunteer Fire Departments. The county, however, helps local Volunteer Fire Departments to pay Workman's Compensation Insurance. The Auditor's Office also provides accounting support to help volunteer firefighters meet the state's fiscal reporting and audit requirements for Special Districts.*

Response: I agree.

Finding #4: Veterans' Services: *As per the recommendation of the 2004-2005 Grand Jury, the position of Veterans' Service Representative has been upgraded in the current fiscal year from part time to full time. A new Representative has been hired.*

Response: I agree.

Finding #5: (Budgeting and Cash-flow) : *Apart from those departments that generate their own fee-based income, all other county departments are financed from the county's General Fund. Much of the county's expenditure is financed by the state. When the state is late in passing its own budget, the county has to keep running with a temporary budget that covers only ongoing operational expenses but excludes any major new outlays. Every year around November, the county faces a cash crunch prior to its receipt of bi-annual Property Tax revenues in December. Normally this gap is bridged with a Tax Revenue Anticipatory Note (TRAN), but last year the county was ineligible for this funding pool since its debt rating dropped below investment grade. Instead, the county had to take out a loan from a bank. Although the county now meets the "investment grade" criteria, it might take another year for its debt rating to be restored, which could necessitate one more bank loan in the upcoming year. The other bi-annual Property Tax inflow, at the end of April, signals the start of the county's budget preparation cycle. After the property taxes are in, the Auditor's Office makes its projections for the coming year. These numbers go to the individual departments for refinement and renegotiation until an overall budget can be agreed upon. Some of the departments, such as Behavioral Health, are mandated to balance revenues against expenditures. Others run on county funding without generating any revenues of their own.*

Response: I agree.

Finding #6: (Unpredictable timing of inter-departmental fee-for-service assessments): *Much of the county's departmental spending is grant-funded. The state requires that these funds be allocated according to strictly prescribed Office of Management and Budget procedures. In this there is no flexibility. So when one department offers support services (such as legal, accounting, clerical or data processing) to another department of county government, those hours have to be aggregated in a time-study and then apportioned according to strict rules. Some of these hours are charged to the General Fund, which are passed through to the end-user department after a lapse of two years. Others are billed to particular funds and passed through*

after a one-year lapse. As a result, department heads may feel "blind-sided" as they are unsure just when expenses incurred in a given year will impact their budgets. But these accounting procedures are state-mandated and beyond the county's control.

Response: I agree.

Recommendation #6: County Auditor should alert departments to any upcoming inter-departmental billings not posted in the same year as incurred.

Recommendation #6: The recommendation will be implemented. Unusual service department billings occur in charges from General Services, County Counsel, and Information Technology. The Auditor's Office will provide all departments with summary time studies for these three service departments, covering the first 10 months of the fiscal year each May. The time studies will reflect any large blocks of time devoted to a single department indicating significant cost plan charges, and departments will be able to reflect the charges in their budgets for the upcoming fiscal year.



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RECEIVED
SEP 28 2006
TRINITY COUNTY
SUPERIOR COURT

William E. Chambers

TO: The Honorable Anthony C. Edwards,
Presiding Judge of the Superior Court

FROM: Trinity County Board of Supervisors

SUBJECT: Response to Recommendations of 2005-2006
Grand Jury Finance and Administration Committee
Final Report – County Auditor

DATE: July 17, 2006

The Grand Jury Finance and Administration Committee has requested a written response to their final report on the County Auditor. The Trinity County Board of Supervisors respectfully offers their response as follows:

Finding #2: *Most such studies are part of grant-funded projects and therefore, in a sense, pay for themselves. Similarly, expenditures on grants writers and administrators are self-funding in that they are typically covered under the terms of each grant. Examples of such studies include our Classification and Compensation Study, comparing Trinity's pay scales with those of other county administrations; the Airport Study; and the General Plan Study, which insures the county against lawsuits and construction delays.*

Response #2: The Trinity County Board of Supervisors agrees.

Recommendation #2: *Use grant funding to engage or internally train more professional grant writers and administrators.*

Recommendation #2: Has been and will be implemented. The Grants Office has recently hired a new grant writer and potential exists for that department to engage or internally train more professional grant writers and administrators in the future.

Finding #3 (Volunteer Fire Departments): *Under the Romero Bill (SB 1207) of 2002, the state, rather than the county, assumes regulatory responsibility and liability for the training and occupational safety requirements of Volunteer Fire Departments. The county, however, helps local Volunteer Fire Departments to pay Workman's Compensation Insurance. The Auditor's also provides accounting support to help*

volunteer firefighters meet the state's reporting and audit requirements for Special Districts.

Response #3: The Trinity County Board of Supervisors agrees.

Finding #4 (Veterans' Services): *As per the recommendation of the 2004-2005 Grand Jury, the position of Veterans' Service Representative has been upgraded in the current fiscal year from part time to full time. A new Representative has been hired.*

Response #4: The Trinity County Board of Supervisors agrees.

Finding #5 (Budgeting and Cash-flow): *Apart from those departments that generate their own fee-based income, all other county departments are financed from the county's General Fund. Much of the county's expenditure is financed by the state. When the state is late in passing its own budget, the county has to keep running with a temporary budget that covers only ongoing operational expenses but excludes any major new outlays.*

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Response #5: The Trinity County Board of Supervisors agrees.

Finding #6 (Unpredictable timing of inter-departmental fee-for-service assessments): *Much of the county's departmental spending is grant-funded. The state requires that these funds be allocated according to strictly prescribed Office of Management and Budget procedures. In this there is no flexibility. So when one department offers support services (such as legal, accounting, clerical or data processing) to another department of county government, those hours have to be aggregated in a time-study and then apportioned according to strict rules. Some of these hours are charged to the General Fund, which are passed through to the end-user department after a lapse of two years. Others are billed to particular funds and passed through after a one-year lapse. As a result, department heads may feel "blind-sided" as they are unsure just when expenses incurred in a given year will impact their budgets. But these accounting procedures are state-mandated and beyond the county's control.*

Response #6: The Trinity County Board of Supervisors agrees.

Recommendation #6: *County Auditor should alert departments to any upcoming inter-departmental billings not posted in the same year as incurred.*

Recommendation #6: Will be implemented. The County Auditor's Office will provide all departments with summary time studies from the three service departments (General Services, County Counsel and Information and Technology) covering the first 10 months of the fiscal year each May and departments will be able to reflect the charges in their budgets for the upcoming fiscal year.