

Prudence and Economy

Rethinking State Limits on County Offices

**The Summary Report
from the
Oversight Hearing**

**Wednesday, March 17, 2010
State Capitol
Sacramento, California**

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Prudence and Economy: Rethinking State Limits on County Offices **A Legislative Oversight Hearing**

On Wednesday, March 17, 2010, the Senate Local Government Committee held an oversight hearing on state limits on county office consolidations. The hearing began promptly at 9:30 a.m. and continued until 11:10 a.m. Held in Room 112 of the State Capitol in Sacramento, the Committee's hearing attracted about 25 people.

Three of the five Committee members participated in the oversight hearing:

Senator Dave Cox, Committee Chair

Senator Christine Kehoe, Committee Vice Chair

Senator Curren D. Price, Jr.

This report contains the staff summary of what happened at the Committee's hearing [*see the **white** pages*], reprints the Committee staff's briefing paper [*see the **blue** pages*], and reproduces the written materials provided by the speakers and others [*see the **yellow** pages*].

Senate staff video-recorded the entire hearing and it is possible to purchase DVD copies by calling the Senate TV and Video office at (916) 651-1531. It's on the California Channel's website: www.calchannel.com/channel/viewvideo/1144

STAFF FINDINGS

After reviewing the speakers' presentations and written materials, and thinking about the comments that legislators made during their oversight hearing, the Committee's staff reached these findings:

- There was general agreement that the statutory authority to consolidate county offices should not differ based on a county's population.
- County officials and elected county officers disagreed over whether the state law should require the election of county officers who are not required to be elected by the State Constitution. Some county officials said that counties would benefit from having greater flexibility to convert elective offices into appointed positions. Elected county officers opposed such changes.
- No consensus existed on the remaining issues that the briefing paper raised. Opinions varied widely about:

- Whether counties would benefit from a simplified and standardized statute governing the consolidation of county offices.
 - What issues relating to county office consolidations should be addressed by state law and what issues should be left to county officials and voters.
 - Whether county office consolidations save money or improve service.
 - What role voters should play in consolidating county offices.
 - Whether state law should authorize different consolidations in charter counties and general law counties.
 - How state law should ensure that officeholders possess the specialized qualifications necessary for some county offices.
- Opinion was particularly divided on whether state law should still allow the consolidation of auditor-controller and treasurer-tax collector offices. Some county officials argued for the benefits of those consolidated offices and described the oversight and internal control policies that counties use to address concerns about incompatibility. Other county officials argued that the auditor's function is inherently incompatible with the treasurer-tax collector's responsibilities and asked legislators to repeal the statutes authorizing those office consolidations.

The lack of unanimity, consensus, or even broad agreement on most issues discussed at the hearing suggests that any successful legislative effort to restructure the statutes governing county office consolidations will require focused legislative leadership and concerted efforts to build coalitions among county officials.

STAFF BRIEFING

Before the hearing, the legislators received a briefing paper, including suggested questions for the speakers. The appendix reprints that paper [*see the blue pages*].

After describing the hearing agenda, establishing a quorum, and calling for a vote on the Committee's Consent Calendar, **Senator Cox**, the Committee Chair, turned to the topic of county office consolidations.

Committee Consultant **Brian Weinberger** described the state laws governing county office consolidations as a "fraying patchwork of statutes" that have become "inconsistent, duplicative, and confusing." He suggested that legislators rethink some of these 19th Century statutes.

To demonstrate the need for legislative reform, Weinberger discussed Government Code §24304, highlighting some of the exceptions and duplications that make the state laws on county office consolidations “opaque” and “nonsensical.” He questioned whether any compelling state interest justifies these detailed and restrictive statutes.

In conclusion, Weinberger identified two broad policy questions for the Committee to keep in mind when considering the testimony on county office consolidations. First, he asked what are the specific statutory problems, and other obstacles, that counties face when seeking to consolidate offices? Second, he asked which problems are best addressed at the state level and which are best addressed locally? He expressed hope that the speakers would help the Committee determine “where there is a role for the state and where the state ought to step back and get out of the way.”

THE SPEAKERS

The Committee invited nine people to speak, organized into two panels. Legislators invited the speakers to provide written materials to supplement their brief remarks. The witnesses whose names appear with an asterisk (*) provided written materials. The appendix reprints the speakers’ materials. [*See the **yellow** pages.*]

Legislative, Administrative, and Legal Perspective

The first panel consisted of county officials offering a legislative, administrative, and legal perspective on their counties’ recent experiences with office consolidations:

Honorable Richard S. Gordon, Supervisor
San Mateo County

Jean Rousseau, County Administrator
Tulare County

Martha J. Shaver, County Counsel
Amador County

County Supervisor **Rich Gordon**, the President of the San Mateo County Board of Supervisors, told legislators about two recent charter amendment efforts to consolidate county offices in San Mateo County. Voters approved one consolidation and rejected the other. Gordon advocated giving all counties “maximum flexibility in the organization of their governments.” He discussed the challenges of finding qualified candidates to fill some county offices and expressed the belief that office consolidation can help attract qualified people to fill those positions. Gordon cited other managerial and efficiency reasons for consolidating offices, stating that some county offices have aligned functions and “fit well together.” He argued that county boards of supervisors can organize county government functions in ways that make sense locally and can address concerns about incompatible offices by establishing “clear oversight” and “checks and balances.” The Brown Act’s open meeting requirements ensure that supervisors’ actions relating to office consolidations will receive public scrutiny, public engagement, and dialogue, Gordon noted. He also said that seeking voter approval of a board’s actions remains an option. Finally, Gordon emphasized the importance of taking “timely action” on office consolidations, often in response to a vacancy in a county office.

Senator Kehoe asked why San Mateo County voters approved one proposed consolidation and rejected another. Supervisor Gordon cited differences in the support that the two proposals received from local elected officials. He also speculated that voters’ lack of familiarity with a relatively new Sheriff may have played a role in their rejection of the proposal to consolidate the coroner and sheriff’s offices.

Tulare County Administrator **Jean Rousseau** expressed his support for Supervisor Gordon’s comments. He described his experience working in a consolidated county office in the Fresno County Auditor-Controller-Treasurer-Tax Collector’s office. Rousseau noted the wide variety of consolidated office combinations throughout California’s 58 counties. Discussing the five counties that have combined the auditor, controller, treasurer, and tax collector offices into a single finance director position, Rousseau noted that those types of consolidations appeal to a county administrator and can help to address the challenge of getting qualified candidates into those offices. He stated that existing practice should dictate the amount of flexibility that counties should have and agrees with the Constitutional requirement that only county supervisors, district attorneys, sheriffs, and assessors must be elected. Rousseau concluded by recommending three specific changes to state law. First, he suggested cleaning up Government Code §24300 and §24304 and applying those provisions to all counties. Second, he favored repealing Government Code §1099, which is often circumvented by special legislation. Third, citing dire fiscal conditions in counties, he proposed adjusting Government Code

§24009, which requires voter approval for counties to consolidate the Auditor-Controller's office and other finance functions into a single appointed position.

Senator Cox asked if the other two panelists agreed with Rousseau's proposed statutory changes. Supervisor Gordon agreed. Amador County Counsel Martha Shaver agreed, in part. She recommended a different change to Government Code §24009, suggesting that, beyond those office which the State Constitution requires to be elected, state law should only require county offices to be elected when the Legislature identifies, as a matter of statewide concern, that a particular office needs to be elected.

Amador County Counsel **Martha Shaver** related the County's recent experience in seeking legislation amending Government Code §24011 to authorize the County to separate its public administrator and district attorney offices and move the public administrator/public guardian/public conservator function into an appointed position in the County's Department of Social Services and Behavioral Health. The change took the better part of a year to accomplish despite the Board of Supervisor's determination that the change made managerial sense, a lack of any controversy, and, in Shaver's view, minimal state interest in whether the County's public administrator office was combined with the DA or with the public guardian. She critiqued the "two-sizes fit all" attempt to describe allowable office combinations for every county, arguing that it is difficult to know what works in all counties, pointing out that such generic approaches generate exclusions "like mushrooms after rain." After numerous exclusions, the statutes simply don't mesh, she said. Shaver emphasized that counties need flexibility to become as efficient as possible as quickly as possible in stringent budget times. She recommended leaving the elected county offices as those specified in the Constitution, repealing the statutes specifying which offices counties can combine (including Government Code §24300 and §24304), prohibiting office combinations only when there is a statewide concern with avoiding incompatibility or conflict of interest, and determining minimum eligibility and continuing education requirements. She also suggested that requiring offices to be combined by ordinance would allow the use of a referendum as a check to curb abuses.

County Officers' Perspective

The second panel consisted of six elected county officers offering their perspective on county office consolidations:

Honorable Karen D. Adams, CPA, Treasurer-Tax Collector-County Clerk-Registrar of Voters-Revenue Officer-1937 Act Trustee *
Merced County

Honorable Kent B. Christensen, Assessor-Recorder *
Merced County

Honorable Rod Dole, Auditor-Controller-Treasurer-Tax Collector *
Sonoma County

Honorable Simona Padilla-Scholtens, Auditor-Controller
Solano County

Honorable Cherie L. Raffety, Treasurer-Tax Collector *
El Dorado County

Honorable Larry Ward, Assessor-Clerk-Recorder
Riverside County

Merced County Treasurer-Tax Collector-County Clerk-Registrar of Voters-Revenue Officer-1937 Act Trustee **Karen Adams**, noted her lengthy title, not in arrogance, but to show the multiple hats that she must wear each day. Adams described her professional qualifications and experience, including serving as an elected county official for the last eight years. She explained her recent decision to decline an offer to consolidate the County's Treasurer-Tax Collector office with the Auditor-Controller office, and her willingness to consolidate three other functions in the Treasurer-Tax Collector's office. While noting that an individual can succeed in wearing multiple hats, Adams asked the Committee to consider whether effectiveness is sacrificed when a county officer is asked to do it all. She emphasized that the office of auditor and treasurer are not compatible and that a clash of duties exists. She advocated the importance of maintaining the independence of the auditor's office to provide an unbiased evaluation of financial transactions and accounts. Noting her admiration for her colleagues in combined offices, Adams expressed her concern that consolidating the treasurer and auditors offices erodes assurances of safekeeping and creates risks that deficiencies may not be exposed or detected. Adams noted the importance of being an elected officer, stating that she does not "compromise to political pressure to take undue risk to seek yield." She suggested that, if appointed, she would be subject to pressure from the Board of Supervisors to do so. She related her experience in resisting specific requests from

county supervisors by reminding them of the Board's ability to assume the County's investment authority itself.

Merced County Assessor-Recorder **Kent Christensen**, stated that he took office to the elected office of County Assessor on December 25, 2006 and became the elected Assessor-Recorder when the two offices consolidated on January 5, 2009. Christensen described how the Merced County Auditor-Controller-Recorder-Clerk-Registrar of Voters-Revenue and Reimbursement Officer's 2008 retirement announcement generated a reorganization of those county functions. Merced County's CEO approached Christensen about taking leadership of the Recorder's office and agreed that the consolidation made sense when looking at the duties, functions, and staffing. Combining the two offices "is a good fit," Christensen said. He expressed his hope to physically integrate the two offices, which are currently in different locations. Explaining that he had a "steep learning curve" in assuming a new office, Christensen noted the importance of having a well-qualified staff to support the transition process. He also believes that combining too many offices can make it difficult to find qualified people for the positions and can dilute managerial capacity.

Sonoma County Auditor-Controller-Treasurer-Tax Collector **Rod Dole** described a Sonoma County reorganization study, conducted during the recessionary period of 1992-93, which produced a plan to consolidate 42 departments and agencies into just 27. As part of the consolidation, the County combined elected county offices, upon the retirement of some incumbent officeholders, to reduce the number of elected county officers from seven to four. Dole noted that, because existing law is unclear and complex, the County needed to get special legislation in 2005 (AB 1318) to clarify its authority to combined the elected auditor-controller and treasurer-tax collector offices. The County combined those offices in 2006, requiring the office holder to meet qualifications for both offices. Dole stated that the consolidation "has worked very well for us." He described breaking the office into separate accounting, bank/treasury, and revenue functions. Dole made the following legislative recommendations: remove the "director of finance" reference from the statute authorizing the auditor-controller-treasurer-tax collector consolidation, allow that consolidation to be made by ordinance, allow voters to decide if the consolidated office is to be elected or appointed, and replace permissive statutes relating to qualification with required qualifications. Dole described benefits from the consolidation as including cost savings, efficiency, and a one-stop-shop for taxpayers. Dole emphasized the importance of internal controls and described Sonoma County's experience with creating an audit committee and treasury oversight

committee. He also noted that an outside CPA firm reviewed the County's internal controls.

Responding to a question from **Senator Price** about audit committees, Dole said that a number of counties, including Santa Clara, use audit committees. Sonoma County's audit committee includes member of the Board of Supervisors. The committee annually receives a plan for audits and set the direction for the audit function as well as receiving the audit reports.

Solano County Auditor-Controller **Simona Padilla-Scholtens** began by noting her 26 years of experience working for Solano County. She stated that her county has not had to seek special legislation to consolidate offices, but expressed her belief that current law interferes with counties' ability to carry out their business. Padilla-Scholtens noted the numerous exceptions that are in state law and agreed with Martha Shaver's comments regarding exceptions to the statutes' "two sizes fit all" approach. Current law contains too many exceptions, ambiguities, and contradictions and prevents counties from saving taxpayers dollars and improving the delivery of services, she said. Padilla-Scholtens argued that state law should not restrict consolidations based on population, but should provide a general framework that allows county officials to determine the best structure to achieve economies, improve services, and maintain checks and balances. She believes that a local referendum provides sufficient opportunity for voters to express dissatisfaction. In response to the issue of incompatible offices, Padilla-Scholtens reiterated her support for a general framework that would leave the consolidation decision up to each county's board of supervisors, noting that it is "imperative that counties establish a strong internal control structure" to "ensure the presence of checks and balances within the organization." She supports authorizing the consolidation of auditor-controller-treasurer-tax collector offices in all counties. She noted the importance of maintaining the consolidated position as an elected office and favors keeping Government Code §24009 intact. Padilla-Scholtens expressed her belief in the importance of maintaining adequate qualifications for officeholders.

El Dorado County Treasurer-Tax Collector **Cherie Raffety** began by stating that she was limiting her comments to the area of finance. She sought to debunk three underlying assumptions regarding county office consolidations: that combining offices makes government more efficient, that appointing officers guarantees that better-qualified individuals fill those positions, and that consolidation saves taxpayers dollars. Calling dictatorship an "efficient" and "streamlined" form of government, Raffety argued that representative government, although "messy," is preferable to that type of efficiency. "When you eliminate elected offices, in my

humble opinion, you are moving in the direction of a non-elected form of government,” she said. Raffety argued that departments managed by elected officials are more responsive to citizens, noting that El Dorado County surveys show high public satisfaction with the Sheriff and Tax Collectors’ offices. Describing her extensive professional experience and background in public service, Raffety asserted that no credence is given, within county government, to private industry experience and stated that this is “unfortunate.” She pointed out that most governments separate auditor-controller departments from treasurer-tax collector departments. Noting that billions of dollars flow through her county’s treasury, she said, “By keeping these offices separate, you are keeping the fox out of the chicken coop.” Challenging the notion that eliminating elected offices and combining them in an appointed office saves taxpayers money, Raffety noted the lack supporting evidence. She conveyed her county’s analysis that growth in staff, which accounts for up to 80% of a department’s budget, is far greater in departments with appointed heads than in departments with elected department heads. Raffety said that creating an appointed elected treasurer-tax collector shifts that officer’s allegiance to the CAO and the Board of Supervisors, and cited her personal experience with exercising the independence that comes from being an elected official.

Riverside County Assessor-Clerk-Recorder **Larry Ward** cited his county’s experience consolidating the assessor’s office with the clerk-recorder’s office after the 1997 retirement of Riverside County’s Clerk-Recorder. The benefits of the consolidation in Riverside County include substantial cost savings in IT and administration and improved public services at district offices throughout the County, Ward said. He noted that, as counties seek cost savings, the opportunity to cross-train staff and reassign staff across different department is a plus. According to Ward, a negative aspect of the consolidation was the different cultures of the formerly separate offices, which took some time to work through. Management also faces a challenge in learning the new functions of the combined offices. Overall, Ward said, “It’s been good for Riverside” and “has benefited the public.” He agreed with Kent Christiansen that combining certain offices can result in problems. He stated that being an elected official provides a level of independence that serves the public well, noting that Riverside County voters defeated a proposal to make the auditor an appointed position.

In response to Senator Cox’s asking panelists for any additional comments, **Cherie Raffety** encouraged the Legislature to make it as difficult as possible to combine offices or eliminate elected positions in a county and advocated that, when making such changes, there should always be an election to build consensus with the public.

Karen Adams clarified her earlier statement, indicating that conversations with county supervisors that she referenced were not all about investment and underwriting issues, most were regarding tax penalty removal. She also noted that consolidations should not be used as an “easy fix” for counties to address the loss of institutional knowledge with the departure of officeholders from the baby-boom generation.

Others’ Reactions and Advice

Following the two panels, Senator Cox invited public comments and four other speakers shared their views with legislators:

Honorable Bill Pollacek, Treasurer-Tax Collector
Contra Costa County

Honorable Keith Williams, Treasurer-Tax Collector *
Mariposa County

Honorable Randy Hicks
Californians for Disability Rights

Honorable Tracy Kennedy Desmond, Treasurer-Tax Collector *
Madera County

Contra Costa County Treasurer-Tax Collector **Bill Pollacek** is completing his third term in office and has decided to retire. Citing his 30 years in the banking industry, Pollacek told legislators that “rule number one” is that “in a financial operation you must have a clear separation of duties and responsibilities.” He stated that, in his experience, almost every cause of embezzlement and financial irregularities are due to a lack of good separation of duties and responsibilities. Speaking on behalf of himself and the Contra Costa County Auditor-Controller, Pollacek expressed support for keeping those offices separate, arguing that combining the two offices eliminates the independence that is necessary to perform the audit function. Noting the importance of being an elected treasurer-tax collector, Pollacek said, “we are often approached by county administrators and supervisors to do things which are highly irregular and, in one case actually illegal.” For example, he spoke being pressured to deposit funds in a bank that was in precarious financial shape. He suggested that elected treasurer-tax collectors are able to independently carry out the duties of their offices, not being beholden to the board of supervisors or county

administrators. He also mentioned the importance of maintaining treasurer-tax collectors' independence to fulfill their fiduciary responsibilities as 1937 Act trustees for county retirement systems.

Keith Williams is the elected Treasurer-Tax Collector-County Clerk-Registrar of voters in Mariposa County. He expressed his opposition to any legislation that would make it easier for county supervisors to consolidate offices or change offices from elected to appointed positions. Noting the importance of separating duties and maintaining checks and balances, he opposed combining the auditor-controller's office with any other positions. The auditor-controller is "the chief accountant and should stand alone," he told legislators. Williams expressed doubt about the usefulness of the local referendum as a way for the public to undo office consolidations. Citing the large number of signatures and significant work that is required for a local referendum, and the costs to the county of reversing an office consolidation that is already underway, Williams said that using a referendum would be a difficult way to reverse an office consolidation.

Randy Hicks, spoke as a member of Californians for Disability Rights and a member of the public. He opposed office consolidations, saying that cuts to staff will result in reduced service to the public. He noted the importance of maintaining the separation of powers. Hicks advocated for greater government transparency, emphasizing the importance of "the public's right to know." Consolidations, he explained, can lead to confusion when members of the public seek services from an office that has been moved into a different department without the public's knowledge. Sunshine laws and accountability must be in place when counties act on consolidations, Hicks said.

Tracy Kennedy Desmond is the Madera County Treasurer-Tax Collector, first elected in 1990. Kennedy Desmond told legislators that the treasurer-tax collector's office should remain "elected and intact" and should not be combined with any other county office. She favors restricting consolidations and restricting conversions of offices from elected to appointed. She spoke of her county's recent consideration, upon the retirement of the County Auditor-Controller, of converting the office into an appointed position. Kennedy Desmond expressed frustration that, despite the Brown Act, she often had less than a week to research and prepare for board of supervisors' agenda items relating to this proposal. Declaring that "the system worked," she said that the County eventually decided to keep the auditor-controller as an elected position. She expressed concern that consolidating offices is a "slippery slope" towards making those positions appointed, thus giving the governing board more power. She noted that proposals to consolidate offices

usually occur at “opportunistic times,” upon officeholders’ retirements, which lays the groundwork for a takeover by an appointed department head or the creation of a combined “super agency.” Creating “super agencies” gives boards of supervisors more control and takes choices away from the voters. Being elected officials answerable to constituents throughout a county “gives us an opportunity to tell the truth without worry of undue political pressures,” Kennedy Desmond said.

LEGISLATORS’ CONCLUDING REMARKS

In concluding the hearing, **Senator Cox** noted that staff would prepare a hearing summary. He assured participants in the hearing that the legislature would not pursue changes to the county office consolidation statutes without getting input from county officials.

Senator Kehoe asked about counties’ authority under current law to consolidate offices. Brian Weinberger responded by explaining that charter counties have broader authority than general law counties to consolidate offices. **Senator Kehoe** asked whether the hearing summary would include recommendations. Weinberger confirmed that recommendations would be included in the hearing summary and that legislation might be introduced next year.

Senator Cox declared “I’m not one who believes that we ought to eliminate elected positions” and noted that legislators would welcome additional advice and information.

ADDITIONAL ADVICE

In addition to those who spoke at the Committee’s March 17 oversight hearing, written advice to legislators came from five others:

Honorable Jackie Denney, Treasurer-Tax Collector *
Kern County

Honorable Wayne Hammar, Treasurer-Tax Collector *
Siskiyou County

Honorable Howard H. Newens, Auditor-Controller-Treasurer-Tax
Collector *
Yolo County

Honorable Stephen A. Strawn, Treasurer-Tax Collector *
Humboldt County

Honorable Larry Walker, Auditor-Controller-Recorder-Treasurer-Tax Col-
lector-County Clerk *
San Bernardino County

Kern County Treasurer-Tax Collector **Jackie Denney** submitted a letter, signed by 30 other County Treasurer-Tax Collectors, seven County Auditor-Controllers, and nine retired Treasurer-Tax Collectors, expressing support for Merced County Treasurer-Tax Collector Karen Adams' responses to the Committee. In particular, the letter concurs with Adams' recommended statutory changes relating to the incompatible consolidation of treasurers' and auditors' offices and with maintaining the elected status of all elected offices, including treasurer and auditor.

Siskiyou County Treasurer Tax Collector **Wayne Hammar** wrote to urge legislators to oppose both the combination of Treasurer-Tax Collector and Auditor-Controller offices and the idea of making those office into appointed positions. Hammar noted that separating the auditor's oversight functions from the financial responsibilities of the treasurer's office staff is particularly difficult to implement in a small county with confined work spaces and small staffs. He also emphasized the importance of the elected county officials' independence in making sound financial decisions and uniformly implementing the law.

Yolo County Auditor-Controller-Treasurer-Tax Collector **Howard Newens'** letter to the Committee states that the 2007 combination of the auditor-controller's office and the treasurer-tax collector's office resulted in many efficiencies that continue to benefit the County. "Proper separation of duties was easily accomplished through organizational means and administrative procedures," wrote Newens. He asked legislators to consider eliminating the statute relating to incompatible duties and to simplify statutes relating to office consolidation to allow maximum flexibility at the county level.

Humboldt County Treasurer-Tax Collector **Stephen Strawn** submitted a letter advocating keeping the Treasurer-Tax Collector and Auditor-Controller offices

elected and separate. He supports maintaining these county officers' elected status to provide independence from undue political pressure. He opposes the consolidation of the two offices, particularly in smaller counties, out of concern that there would be insufficient checks and balances and independent oversight. Based on his experience, Strawn questions the claim that office consolidations create any savings or economy for counties.

San Bernardino County Auditor-Controller-Recorder-Treasurer-Tax Collector-County Clerk **Larry Walker's** letter notes the distinction between consolidating county offices and changing offices to appointed positions. Walker points out that his county followed a recent trend of consolidating the Treasurer-Tax Collector and Auditor-Controller offices while maintaining the officeholder's elected status. Walker observes that consolidations depend on local factors and cites examples from three recent consolidations in San Bernardino County. He argues that the County's recent consolidations saved money and improved service.

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Elvia Diaz, Committee Assistant to the Senate Local Government Committee produced this report. Brian Weinberger, Committee Consultant, prepared the text with the help of Peter Detwiler, Senate Local Government Committee Staff Director and Jennifer Barry, Deputy Legislative Counsel.

Prudence and Economy: Rethinking State Limits on County Offices

This briefing paper prepares the members of the Senate Local Government Committee for their March 17, 2010 oversight hearing on state limits on county office consolidations.

State law recognizes dozens of county officers and specifies how counties can consolidate multiple offices under a single officer. Counties regularly consider consolidating offices to save money, improve the administration of county programs, or both. As the State Supreme Court wrote in its 1856 *Merril v. Gorham* decision upholding the consolidation of the offices of San Francisco Sheriff and Tax Collector:

...motives of prudence and economy may often require the consolidation of different offices of the same character, and we would be reluctant to adopt a rule of construction, which would effectually block the wheels of progress and reform...

After more than 100 years on the books, the statutes governing the consolidation of county offices are inconsistent and confusing, potentially impeding progress and reform.

One of the central duties of any legislative body is to review how their statutes work and to determine if legislators should amend those laws. The March 17 hearing is an opportunity for the members of the Senate Local Government Committee to review the statutes governing the consolidation of county offices and consider two broad policy questions:

1. Would counties benefit from a simplified and standardized statute governing the consolidation of county offices?
2. If changes to these statutes are necessary, what issues should state law address and what issues should be left to the discretion of county officials and voters?

County Offices – Background and Current Law

Since the early years of statehood, state law governing the consolidation of county offices has been shaped by a tension between the Legislature's power to structure county offices and the goal of providing counties with broad, uniform authority to organize in ways that best meet disparate local needs.

Laws passed by California's first Legislature recognized several county offices. Subsequent special bills specified how counties could combine different offices. By the time the Legislature codified relevant statutes in 1872, numerous special provisions limited both the types of offices that could be consolidated and the counties within which specific consolidations were authorized.

In response to the complexity produced by special legislation, the new California Constitution adopted in 1879 prohibited most kinds of special legislation, including special legislation regulating county business. However, this constitutional prohibition did not stop legislation relating narrowly to specific offices in specific counties. Shortly after the new constitution, legislators began to circumvent the prohibition on special legislation by introducing bills that applied "generally" to a "class" of counties that actually included only a single county.

Legislation enacted in 1880 repealed many of the special statutory provisions relating to county offices and, instead, listed twelve county officers and granted county supervisors broad authority to consolidate, by ordinance, the duties of two or more county offices (Felton, AB 519, 1880). The Supreme Court later ruled, on grounds not related to office consolidations, that the Felton bill was in conflict with the California Constitution and voided its provisions.

Nearly a century ago, the state legislature's practice of structuring county offices through special legislation was a catalyst for the county charter government movement. In 1911, California voters approved a "County Home Rule" constitutional amendment (Proposition 2), which provided for greater local control over county governance through the adoption of county charters. The ballot argument in favor of the 1911 proposition specifically noted the lack of uniformity and local control that resulted from the Legislature's sorting counties into separate classes and passing special legislation relating to county officers.

Fourteen counties have adopted charters. These charters vary significantly in how they address the consolidation of county offices. Some county charters grant county supervisors broad authority to restructure county offices by passing ordinances. In other counties, voter-approved charter amendments are required to consolidate offices, making the charter, in some cases, more restrictive than general law.

The state laws governing California's 44 non-charter counties recognize dozens of different county officers (Government Code §24000 and Government Code §26500 et seq.). The California Constitution requires some county officers to be

elected in all counties: members of the board of supervisors, sheriffs, district attorneys, and assessors (Article XI, §1 and Article XI, §4). State law requires additional elected officers: treasurers, county clerks, auditors, tax collectors, recorders, public administrators, and coroners. With voter approval, an elected office can become an appointed office (Government Code §24009).

County boards of supervisors can adopt ordinances to consolidate many county offices in one or more of 18 specified combinations (Government Code §24300). Additional combinations are also available to medium- and small-sized counties (Government Code §24304). Numerous individual counties can consolidate offices in various specified combinations. Statutes contain dozens of exceptions to these general provisions.

State law also authorizes a board of supervisors to consolidate duties and functions of county offices, although any duties and responsibilities of elected county officials mandated by the California Constitution or statute may not be transferred away from such officials by the board's consolidation of county services (Government Code §24308).

Ordinances consolidating county offices are subject to referendum and can be amended or repealed by local initiative.

Appendix A contains the text of the California Government Code sections that govern county office consolidations.

At the March 17 hearing, Legislators may wish to ask:

- ☞ Do special exceptions, ambiguities, and contradictions in the state law governing county office consolidations prevent counties from saving money and improving service delivery by consolidating offices?
- ☞ What is the voters' role in approving changes to the structure of county offices? Is the power of referendum and initiative sufficient, or should state law require voter approval for all consolidations?

County Office Consolidations and County Population

State law distinguishes between the combinations of county offices that can be consolidated by ordinance in small- and medium-sized counties and those that can

be consolidated in some of the state's most populous counties. Only the 46 least populous counties (based on the 1970 Census) can consolidate the following offices by ordinance:

- *County clerk and tax collector*
- *Treasurer, tax collector, and recorder*
- *Sheriff, tax collector, and coroner*
- *Coroner and health officer*
- *Sheriff, coroner, and public administrator*
- *County clerk, assessor, and recorder*
- *Assessor and recorder*
- *Tax collector, county clerk, and treasurer.*
- *Treasurer, tax collector, and public administrator*

(Government Code §24304)

Ten of the twelve largest counties that cannot combine the above offices under statute are charter counties, which can make those consolidations regardless of state law. Therefore, state law effectively singles out the remaining two counties – Contra Costa County and Riverside County – and prohibits them from consolidating offices in combinations that are allowed in 56 other counties. As a result, Riverside County successfully sought sponsored legislation to consolidate offices in two of the above combinations: county clerk, assessor, and recorder and sheriff, coroner, and public administrator (Government Code §24304.1, added by SB 162, Haynes, 1997).

At the March 17 hearing, Legislator may wish to ask:

- ☞ Should the Legislature use population-based statutes to limit Contra Costa and Riverside County's authority to consolidate certain offices?

County Office Consolidations and Incompatible Offices

Statutes authorizing specific office consolidations in specific counties also raise questions relating to the statutory and common law prohibitions against individuals holding incompatible offices.

In 1850, the Legislature adopted the English common law to guide the California courts, to the extent that the common law isn't inconsistent with the United States Constitution, the California Constitution, or state statutory laws. The common law prohibits holding incompatible offices. Many court decisions and Attorney Generals' opinions have interpreted and applied the prohibition against incompatible offices. The Attorney General restated this doctrine in a 1990 opinion:

Offices are incompatible, in the absence of statutes suggesting a contrary result, if there is any significant clash of duties or loyalties between the offices, if the dual office holding would be improper for reasons of public policy, or if either officer exercises supervisory, auditory, or removal power over the other.

(73 Ops.Cal.Atty.Gen. 183)

A person who assumes the duties of a second, incompatible office automatically vacates the first office.

In 2005, the Legislature codified the common law rule prohibiting an individual from holding incompatible public offices (Government Code §1099, added by SB 274, Romero, 2005).

The courts have ruled that the Legislature may abrogate the prohibition against holding incompatible offices. Thus, counties sometimes seek legislation to ensure that their consolidation of certain offices will not invite legal challenges pursuant to the incompatible offices doctrine.

Office consolidation statutes that apply only to a single county or group of counties can abrogate the incompatible offices doctrine in some counties and not others. For example, combining the offices of treasurer, tax collector, and public administrator may violate the incompatible offices doctrine in Contra Costa County and Riverside County, but nowhere else.

The statutes authorizing counties to consolidate auditors' offices with treasurer-tax collectors' offices are a notable example of the Legislature's use of its authority to authorize the consolidation of offices that would otherwise violate the incompatible offices doctrine (Government Code §§24300.5 and 24304.2). Ten counties have consolidated these offices and have sought to prevent potential conflicts by establishing internal control structures and oversight mechanisms. However, some critics of these consolidations worry about potential conflicts between the auditing and treasurer-tax collector functions.

At the March 17 hearing, Legislators may wish to ask:

- ☞ Should state law apply the incompatible offices doctrine uniformly to all counties, or does it make sense to abrogate the doctrine in some counties but not others?

- ☞ Should the Legislature reconsider the decision to abrogate the incompatible offices doctrine to allow the consolidation of auditor-controller and treasurer-tax collector offices?
- ☞ Can state law give counties greater flexibility to consolidate county offices without undermining the checks and balances that the incompatible offices doctrine is intended to protect?

County Office Consolidations and Charter Counties

Although charter counties enjoy broad authority to consolidate offices in combinations that are not specified in statute, they rarely organize prominent county offices in ways that state law does not authorize. Seven of the 14 charter counties have consolidated offices listed in Government Code §24009 only in combinations that state law already authorizes counties to consolidate by ordinance. Six other charter counties have consolidated offices in combinations that state law would bar them from using because of their large populations, but which medium- and small-sized counties can consolidate by ordinance. Only Santa Clara County, which consolidated the auditor, treasurer, tax collector, clerk and recorder offices under a single “Director of Finance,” has used its charter powers to organize county offices in a way that does not appear anywhere in statute.

Charter counties do not consolidate prominent county offices any more or less extensively than do general law counties. Most counties have consolidated between five and eight of the ten offices listed in Government Code §24009 with at least one other office listed in that section. Only Tulare County, a general law county, has consolidated all ten offices with at least one other office. At the other extreme, Inyo, a general law county, and San Francisco, a charter county, have only consolidated four of those offices.

Appendix B outline the various combinations in which counties have consolidated offices.

At the March 17 hearing, Legislators may wish to ask:

- ☞ Does the relative similarity of office combinations adopted in all counties suggest that the state doesn’t need to be so selective in specifying office combinations?

- ☞ Because general law counties consolidate offices to a similar extent as charter counties, does state law present significant obstacles to general law counties?
- ☞ Should state law continue to distinguish between the types of consolidations authorized for charter counties and those authorized for general law counties?

County Office Consolidations and Officeholder Qualifications

State law establishes the qualifications that individuals must meet to hold certain county offices:

- Except for people who were Assessors on January 1, 1997, no person may exercise the powers and duties of the office of Assessor unless he or she holds a valid appraiser's certificate issued by the State Board of Equalization (Government Code §24002.5).
- No person may be elected or appointed to the office of Auditor-Controller without meeting at least one of four statutory criteria (Government Code §26945). An Auditor-Controller must also fulfill continuing education requirements while in office.
- A person is not eligible to hold the office of District Attorney unless he or she has been admitted to practice in the Supreme Court of the State (Government Code §24002).
- A candidate for Sheriff must meet at least one of six statutory criteria (Government Code §24004.3).
- No person may be elected to the office of Treasurer-Tax Collector without meeting at least one of five statutory criteria (Government Code §27000.7). A Treasurer-Tax Collector must also fulfill continuing education requirements while in office.

For some consolidations, state law requires that all personnel must possess the particular statutory qualifications required for the consolidated departments. However, special legislation exempts some counties from requiring that occupants of specified consolidated offices possess qualifications required of the occupant of any of the separated offices (Government Code §24306). Some observers worry

that consolidating certain county offices can undermine the statutory requirements that officeholders have specialized skills and qualifications.

At the March 17 hearing, Legislators may wish to ask:

- ☞ Can state law give counties greater flexibility to consolidate county offices while ensuring that officeholders possess the specialized qualifications necessary to perform the functions of some county offices?

APPENDIX A
Statutes Governing County Office Consolidations

California Government Code, Title 3, Division 2, Part 1, Chapter 7

24300. By ordinance the board of supervisors may consolidate the duties of certain of the county offices in one or more of these combinations:

- (a) Sheriff and tax collector.
- (b) Auditor and recorder.
- (c) County clerk, auditor, and recorder.
- (d) County clerk and public administrator.
- (e) County clerk and recorder.
- (f) County clerk and auditor.
- (g) Treasurer and tax collector.
- (h) Treasurer and recorder.
- (i) Treasurer and assessor.
- (j) Treasurer and public administrator.
- (k) Public administrator and coroner.
- (l) District attorney and public administrator.
- (m) District attorney and coroner.
- (n) Sheriff and coroner.
- (o) Sheriff and public administrator.
- (p) County agricultural commissioner and county sealer of weights and measures.
- (q) Road commissioner and surveyor. A county may create an office entitled public works director, combining the duties of road commissioner and surveyor and any other compatible duties not legally required to be performed by another county officer.
- (r) County surveyor and director of transportation.

By the ordinance that consolidates the duties of the appointive county offices described in subdivision (p), notwithstanding Section 2122 and Sections 2181 to 2187, inclusive, of the Food and Agricultural Code, and Sections 12200 and 12214 of the Business and Professions Code, the board of supervisors may provide that the first term only of the newly consolidated office expires when the first of the remaining unexpired terms of the two unconsolidated offices would have expired. Where a vacancy in either of the unconsolidated offices exists the term of office of the newly consolidated office shall be the longer of the remaining unexpired terms.

24300.5. In addition to the duties of the county offices which may be consolidated under the provisions of Section 24300, the board of supervisors may by ordinance consolidate the offices of auditor, controller, treasurer, tax collector, and director of finance.

24301. If the duties of officers are consolidated pursuant to this chapter, the board of supervisors, by ordinance, may elect to separate the duties so consolidated, and reconsolidate them in any other manner permitted by this chapter or separate the duties without reconsolidation, and provide that the duties of each office shall be performed by a separate person, if it deems the change to be in the public interest.

24302. When the duties of offices are united and consolidated, the person elected to fill the united and consolidated offices shall take the oath and give the bond required for each, discharge all the duties pertaining to each, and receive the compensation of the offices the duties of which are consolidated.

24303. When there is an omission by the board of supervisors to consolidate the duties of offices as authorized in this chapter and to advertise the ordinance of consolidation, each office not so consolidated shall be filled in the manner provided by law.

24304. Notwithstanding the provisions of Section 24300, in counties of the 13th to 58th classes, inclusive, the board of supervisors by ordinance may consolidate the duties of certain of the county offices in one or more of these combinations:

- (a) Sheriff and tax collector.
- (b) Auditor and recorder.
- (c) County clerk, auditor, and recorder.
- (d) County clerk and public administrator.
- (e) County clerk and recorder.
- (f) County clerk and auditor.
- (g) Treasurer and tax collector.
- (h) Treasurer and recorder.
- (i) Treasurer and assessor.
- (j) Treasurer and public administrator.
- (k) Public administrator and coroner.
- (l) District attorney and public administrator.
- (m) District attorney and coroner.
- (n) Sheriff and coroner.
- (o) Sheriff and public administrator.
- (p) County agricultural commissioner and county sealer of weights and measures.
- (q) County clerk and tax collector.
- (r) Treasurer, tax collector, and recorder.
- (s) Sheriff, tax collector, and coroner.
- (t) Coroner and health officer.
- (u) Road commissioner and surveyor. A county may create an office entitled public works director, combining the duties of road commissioner and surveyor and any other compatible duties not legally required to be performed by another county officer.
- (v) Sheriff, coroner, and public administrator.
- (w) Treasurer, tax collector, and public administrator.
- (x) County clerk, assessor, and recorder.
- (y) Assessor and recorder.
- (z) Tax collector/county clerk and treasurer.

24304.1. Notwithstanding the provisions of Section 24300, in counties of the 11th class, the board of supervisors by ordinance may consolidate the duties of certain of the county offices, in one or both of these combinations:

- (a) County clerk, assessor, and recorder.
- (b) Sheriff, coroner, and public administrator.

24304.2. Notwithstanding Section 24300, in Mendocino County, Sonoma County, Trinity County, and Tulare County, the board of supervisors, by ordinance, may consolidate the duties of the offices of Auditor-Controller and Treasurer-Tax Collector into the elected office of Auditor-Controller-Treasurer-Tax Collector.

24305. When the duties of officers are consolidated pursuant to this chapter, the board of supervisors, by ordinance, may elect to consolidate the budgets of the offices the duties of which are consolidated.

24306. If the board of supervisors in counties having a population of 4,000,000 or more persons, consolidates two or more offices pursuant to statute or charter, the occupant of the consolidated office need not possess any of the qualifications required of the occupant of any of the separate offices which are consolidated if:

- (a) No qualification applies to all of the offices consolidated; and
- (b) The board finds that sufficient personnel possessing the qualifications required are employed in the consolidated office to assure that decisions made by the occupant of the office are based upon competent professional advice.

This section does not permit the occupant of such consolidated office to practice any profession or trade for the practice of which a license, permit or registration is required without such license, permit, or registration.

24306.5. In any county with a population of over 1,350,000 and not over 1,420,000 as determined by the 1970 federal decennial census, the board of supervisors may consolidate pursuant to ordinance or charter two or more offices, including the office of health officer, in order to integrate the delivery of health-related services within the county. The occupant of the consolidated office need not possess any of the particular qualifications required of the occupant of any of the separate offices that are consolidated if:

- (a) No qualification applies to all of the offices consolidated; and
- (b) The board finds that sufficient personnel possessing the particular qualifications required are employed in the consolidated office to assure that decisions made by the occupant of the office are based upon competent professional advice. The enforcement duties described in Sections 101030 and 101040 of the Health and Safety Code shall be discharged by a licensed physician and surgeon with the title of health officer. The health officer's enforcement responsibility is limited to decisions requiring technical medical judgments.

This section does not permit the occupant of the consolidated office to practice any profession or trade for the practice of which a license, permit or registration is required without the license, permit, or registration.

24307. In any county having a population of 4,000,000 or more, the board of supervisors may designate any county officer as responsible for all or any of the functions of acquiring, constructing, leasing, managing and maintaining public buildings and facilities, which may be consolidated into a single department or other organizational unit.

Such responsible county officer shall not be required to have any special permit, registration, or license, provided that if such functions include the practice of any profession or trade for which a license, permit or registration is required, then the individual directly involved in such practice shall possess or act only under the supervision of someone who possesses the appropriate license, permit, or registration.

Where such responsibility is designated as described in this section, civil engineering work done for the county in the performance of such functions shall be accomplished under the authority of the responsible officer acting through a registered civil engineer. Responsibility for other civil engineering work shall remain with those officers currently designated.

24308. (a) Notwithstanding Sections 24300 and 24304, the board of supervisors of any county may organize, pursuant to ordinance or charter, the delivery of any services for which county government is responsible under state law, into departments or agencies that provide multiple services, except those duties and responsibilities of other elected county officials mandated by the California Constitution or by statute. Any county board of supervisors that elects to organize the delivery of services may consolidate, integrate, or separate duties and functions of county offices and organizational units within departments, to the extent deemed necessary by the board of supervisors.

(b) All personnel, including the heads of units within departments organized pursuant to this section and formed from units formerly within other county departments, shall possess the particular qualifications required by the statutes governing provision of the services provided by those departments. These qualifications include standards of education and experience to assure competence appropriate for the direction of the departments or the local administration of county functions.

(c) This section shall not permit the occupant of a consolidated, integrated, or separated office to practice any profession or trade for the practice of which a license, permit, or registration is required, without that license, permit, or registration.

(d) This section shall not be construed to affect any other statutory or regulatory provision governing county services or programs, however reorganized or renamed, except for the organizational requirements specified in this section. In no case may a state department or agency reject a county plan required by the Health and Safety Code or the Welfare and Institutions Code or regulations enacted pursuant to either of those codes or impose sanctions for any program or service due to the organization or reorganization of county departments as authorized under this section or Division 5 (commencing with Section 33200). Prior to taking action to reject a county plan or impose sanctions, the department or agency shall inform the county board of supervisors in writing of the deficiency.

APPENDIX B
An Inventory of Commonly Elected County Offices

The following table shows how each county structures the ten elective county offices specified in Government Code §24009.

Not all elected officers. The table focuses only on the most commonly elected county offices. *It does not list all elected county officers.* For example, although El Dorado County voters elects a County Surveyor, San Benito County voters elect a County Marshal, and San Francisco County voters elect a Public Defender, those offices don't appear in this table because most counties appoint those officers. The table does not include elected education officials, like county schools superintendents.

Exceptions to election requirements. Not all of the offices in the table are currently subject to election. The California Constitution specifies that three of the ten offices in the attached inventory – Sheriffs, District Attorneys, and Assessors – must be elected in every county, including charter counties. State law authorizes counties, with voter approval, to make any of the remaining seven offices appointed positions. Regardless, charter counties may also choose to appoint those county officers pursuant to provisions of their charters. The table indicates (in **bold** text) the offices that are appointed positions, either through county charter provisions or pursuant to statute.

APPENDIX B – An Inventory of Elective County Offices

County	Sheriff (Shf)	District Attorney (DA)	Assessor (Asr)	Treasurer (Trs)	Clerk (Clk)	Auditor (Aud)	Tax Collector (Tax)	Recorder (Rec)	Public Administrator (Pub)	Coroner (Cor)
Alameda	Shf-Cor-Pub	DA	Asr	Trs-Tax	Clk-Rec-Aud	Clk-Rec-Aud	Trs-Tax	Clk-Rec-Aud	Shf-Cor-Pub	Shf-Cor-Pub
Alpine	Shf-Cor	DA-Pub	Asr	Trs-Tax-Rec	Clk	Aud	Trs-Tax-Rec	Trs-Tax-Rec	DA-Pub	Shf-Cor
Amador	Shf-Cor	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Pub	Shf-Cor
Butte	Shf-Cor	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Pub	Shf-Cor
Calaveras	Shf	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Cor-Pub	Cor-Pub
Colusa	Shf-Cor	DA	Asr	Trs-Tax-Pub	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Trs-Tax-Pub	Shf-Cor
Contra Costa	Shf-Cor	DA-Pub	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	DA-Pub	Shf-Cor
Del Norte	Shf-Cor	DA	Asr	Trs-Tax	Clk-Rec-Pub	Aud	Trs-Tax	Clk-Rec-Pub	Clk-Rec-Pub	Shf-Cor
El Dorado	Shf-Cor-Pub	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Shf-Cor-Pub	Shf-Cor-Pub
Fresno	Shf	DA	Asr-Rec	Aud-Trs-Tax	Clk	Aud-Trs-Tax	Aud-Trs-Tax	Asr-Rec	Cor-Pub	Cor-Pub
Glenn	Shf-Cor	DA	Asr-Clk-Rec	Fin.Dir.	Asr-Clk-Rec	Fin.Dir.	Fin.Dir.	Asr-Clk-Rec	Pub	Shf-Cor
Humboldt	Shf	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Cor-Pub	Cor-Pub
Imperial	Shf-Cor	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Pub	Shf-Cor
Inyo	Shf	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Pub	Cor
Kern	Shf-Cor-Pub	DA	Asr-Rec	Trs-Tax	Aud-Clk	Aud-Clk	Trs-Tax	Asr-Rec	Shf-Cor-Pub	Shf-Cor-Pub
Kings	Shf-Cor-Pub	DA	Asr-Clk-Rec	Aud-Trs-Tax	Asr-Clk-Rec	Aud-Trs-Tax	Aud-Trs-Tax	Asr-Clk-Rec	Shf-Cor-Pub	Shf-Cor-Pub
Lake	Shf-Cor	DA	Asr-Rec	Trs-Tax	Aud-Clk	Aud-Clk	Trs-Tax	Asr-Rec	Pub	Shf-Cor
Lassen	Shf-Cor	DA-Pub	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	DA-Pub	Shf-Cor
Los Angeles	Shf-Cor	DA	Asr	Trs-Tax-Pub	Clk-Rec	Aud	Trs-Tax-Pub	Clk-Rec	Trs-Tax-Pub	Shf-Cor
Madera	Shf-Cor	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Pub	Shf-Cor
Marin	Shf-Cor	DA	Asr-Clk-Rec	Fin.Dir.	Asr-Clk-Rec	Fin.Dir.	Fin.Dir.	Asr-Clk-Rec	Fin.Dir.	Shf-Cor
Mariposa	Shf-Cor-Pub	DA	Asr-Rec	Trs-Tax-Clk	Trs-Tax-Clk	Aud	Trs-Tax-Clk	Asr-Rec	Shf-Cor-Pub	Shf-Cor-Pub
Mendocino	Shf-Cor	DA	Asr-Clk-Rec	Trs-Tax	Asr-Clk-Rec	Aud	Trs-Tax	Asr-Clk-Rec	Pub	Shf-Cor
Merced	Shf-Cor	DA-Pub	Asr-Rec	Trs-Tax-Clk	Trs-Tax-Clk	Aud	Trs-Tax-Clk	Asr-Rec	DA-Pub	Shf-Cor
Modoc	Shf-Cor	DA-Pub	Asr	Trs-Tax	Clk-Rec-Aud	Clk-Rec-Aud	Trs-Tax	Clk-Rec-Aud	DA-Pub	Shf-Cor
Mono	Shf-Cor	DA-Pub	Asr	Fin.Dir.	Clk-Rec	Fin.Dir.	Fin.Dir.	Clk-Rec	DA-Pub	Shf-Cor
Monterey	Shf-Cor-Pub	DA	Asr-Clk-Rec	Trs-Tax	Asr-Clk-Rec	Aud	Trs-Tax	Asr-Clk-Rec	Shf-Cor-Pub	Shf-Cor-Pub
Napa	Shf-Cor	DA-Pub	Asr-Clk-Rec	Trs-Tax	Asr-Clk-Rec	Aud	Trs-Tax	Asr-Clk-Rec	DA-Pub	Shf-Cor
Nevada	Shf-Cor-Pub	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Shf-Cor-Pub	Shf-Cor-Pub

KEY: Fin.Dir. = Finance Director Med.Ex. = Medical Examiner **Bold text** = appointed office Shaded text = charter county

APPENDIX B – An Inventory of Elective County Offices

County	Sheriff (Shf)	District Attorney (DA)	Assessor (Asr)	Treasurer (Trs)	Clerk (Clk)	Auditor (Aud)	Tax Collector (Tax)	Recorder (Rec)	Public Administrator (Pub)	Coroner (Cor)
Orange	Shf-Cor	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Pub	Shf-Cor
Placer	Shf-Cor	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Pub	Shf-Cor
Plumas	Shf-Cor	DA-Pub	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	DA-Pub	Shf-Cor
Riverside	Shf-Cor-Pub	DA	Asr-Clk-Rec	Trs-Tax	Asr-Clk-Rec	Aud	Trs-Tax	Asr-Clk-Rec	Shf-Cor-Pub	Shf-Cor-Pub
Sacramento	Shf	DA	Asr	Fin.Dir.	Clk-Rec	Fin.Dir.	Fin.Dir.	Clk-Rec	Pub	Cor
San Benito	Shf-Cor	DA	Asr	Trs-Tax-Pub	Clk-Rec-Aud	Clk-Rec-Aud	Trs-Tax-Pub	Clk-Rec-Aud	Trs-Tax-Pub	Shf-Cor
San Bernardino (effective 1/3/11)	Shf-Cor-Pub	DA	Asr-Clk-Rec	Aud-Trs-Tax	Asr-Clk-Rec	Aud-Trs-Tax	Aud-Trs-Tax	Asr-Clk-Rec	Shf-Cor-Pub	Shf-Cor-Pub
San Diego	Shf	DA	Asr-Clk-Rec	Trs-Tax	Asr-Clk-Rec	Aud	Trs-Tax	Asr-Clk-Rec	Pub	Med.Ex.
San Francisco	Shf	DA	Asr-Rec	Trs-Tax	Clk	Aud	Trs-Tax	Asr-Rec	Pub	Med.Ex.
San Joaquin	Shf-Cor-Pub	DA	Asr-Clk-Rec	Trs-Tax	Asr-Clk-Rec	Aud	Trs-Tax	Asr-Clk-Rec	Shf-Cor-Pub	Shf-Cor-Pub
San Luis Obispo	Shf-Cor	DA	Asr	Trs-Tax-Pub	Clk-Rec	Aud	Trs-Tax-Pub	Clk-Rec	Trs-Tax-Pub	Shf-Cor
San Mateo	Shf	DA-Pub	Asr-Clk-Rec	Trs-Tax	Asr-Clk-Rec	Aud	Trs-Tax	Asr-Clk-Rec	DA-Pub	Cor
Santa Barbara	Shf-Cor	DA	Asr-Clk-Rec	Trs-Tax-Pub	Asr-Clk-Rec	Aud	Trs-Tax-Pub	Asr-Clk-Rec	Trs-Tax-Pub	Shf-Cor
Santa Clara	Shf	DA	Asr	Fin.Dir.	Fin.Dir.	Fin.Dir.	Fin.Dir.	Fin.Dir.	Pub	Med.Ex.
Santa Cruz	Shf-Cor	DA-Pub	Asr-Rec	Trs-Tax	Clk	Aud	Trs-Tax	Asr-Rec	DA-Pub	Shf-Cor
Shasta	Shf-Cor	DA	Asr-Rec	Trs-Tax-Pub	Clk	Aud	Trs-Tax-Pub	Asr-Rec	Trs-Tax-Pub	Shf-Cor
Sierra	Shf-Cor	DA-Pub	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	DA-Pub	Shf-Cor
Siskiyou	Shf-Cor	DA-Pub	Asr-Rec	Trs-Tax	Clk	Aud	Trs-Tax	Asr-Rec	DA-Pub	Shf-Cor
Solano	Shf-Cor	DA	Asr-Rec	Trs-Tax-Clk	Trs-Tax-Clk	Aud	Trs-Tax-Clk	Asr-Rec	Pub	Shf-Cor
Sonoma	Shf-Cor	DA	Asr-Clk-Rec	Aud-Trs-Tax	Asr-Clk-Rec	Aud-Trs-Tax	Aud-Trs-Tax	Asr-Clk-Rec	Pub	Shf-Cor
Stanislaus	Shf-Cor-Pub	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Shf-Cor-Pub	Shf-Cor-Pub
Sutter	Shf-Cor-Pub	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Shf-Cor-Pub	Shf-Cor-Pub
Tehama	Shf-Cor	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Pub	Shf-Cor
Trinity	Shf-Cor	DA	Asr-Clk-Rec	Trs-Tax	Asr-Clk-Rec	Aud	Trs-Tax	Asr-Clk-Rec	DA-Pub	Shf-Cor
Tulare	Shf-Cor	DA-Pub	Asr-Clk-Rec	Aud-Trs-Tax	Asr-Clk-Rec	Aud-Trs-Tax	Aud-Trs-Tax	Asr-Clk-Rec	DA-Pub	Shf-Cor
Tuolumne	Shf-Cor	DA	Asr-Rec	Trs-Tax	Aud-Clk	Aud-Clk	Trs-Tax	Asr-Rec	Pub	Shf-Cor
Ventura	Shf	DA	Asr	Trs-Tax-Pub	Clk-Rec	Aud	Trs-Tax-Pub	Clk-Rec	Trs-Tax-Pub	Med. Ex.
Yolo	Shf-Cor	DA	Asr	Aud-Trs-Tax	Clk-Rec	Aud-Trs-Tax	Aud-Trs-Tax	Clk-Rec	Pub	Shf-Cor
Yuba	Shf-Cor-Pub	DA	Asr	Trs-Tax	Clk-Rec	Aud	Trs-Tax	Clk-Rec	Shf-Cor-Pub	Shf-Cor-Pub

KEY: Fin.Dir. = Finance Director Med.Ex. = Medical Examiner **Bold text** = appointed office Shaded text = charter county

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Written Materials Received by the Committee
Prudence and Economy: Rethinking State Limits on County Offices

Honorable Karen D. Adams, CPA, Merced County Treasurer-Tax Collector-
County Clerk-Registrar of Voters-Revenue Officer-1937 Act Trustee

Honorable Kent B. Christensen, Merced County Assessor-Recorder

Honorable Rod Dole, Sonoma County Auditor-Controller-Treasurer-Tax Collector

Honorable Cherie L. Raffety, El Dorado County Treasurer-Tax Collector

Honorable Keith Williams, Mariposa County Treasurer-Tax Collector

Honorable Tracy Kennedy Desmond, Madera County Treasurer-Tax Collector

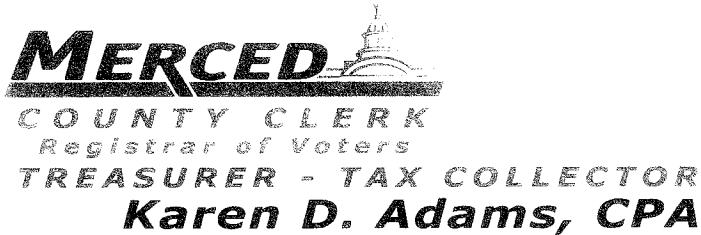
Honorable Jackie Denney, Kern County Treasurer-Tax Collector

Honorable Wayne Hammar, Siskiyou County Treasurer-Tax Collector

Honorable Howard H. Newens, Yolo County Auditor-Controller-Treasurer-Tax
Collector

Honorable Stephen A. Strawn, Humboldt County Treasurer-Tax Collector

Honorable Larry Walker, San Bernardino County Auditor-Controller-Recorder-
Treasurer-Tax Collector-County Clerk



Karen D. Adams, CPA
Treasurer-Tax Collector-Clerk

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March 23, 2010

TO: California Senate Local Government Committee

FOR: Incompatible Consolidation of Treasurer and Auditor Code
Recommendations for Prudence and Economy: Rethinking State
Limits on County Offices

Thank you again for the opportunity to testify during your committee meeting on March 17, 2010. In addition to my responses to your outlined questions I previously submitted; please find my recommendations for revising the current code specifically addressing the incompatible consolidation of Treasurer and Auditor.

- ✓ Keep intact the Government Code § 24000 list of acceptable consolidations which does not permit the consolidation of Treasurer and Auditor. Maintain the elected status of all elected offices including both Treasurer-Tax Collector and Auditor-Controller.

In some cases a consolidation may be practical and benefit the citizens if no "incompatibility of authority" exists. Clearly the Auditor and Treasurer are not compatible and a clash of duties does so exist. California legislature recognizes the incompatibility and dictates that if the dual office holding would be improper "A person who assumes the duties of a second, incompatible office automatically vacates the first office". Therefore the consolidation of Auditor with Treasurer would cause the Auditor to vacate his Auditor status to legally accept the Treasurer authority or vice versa.

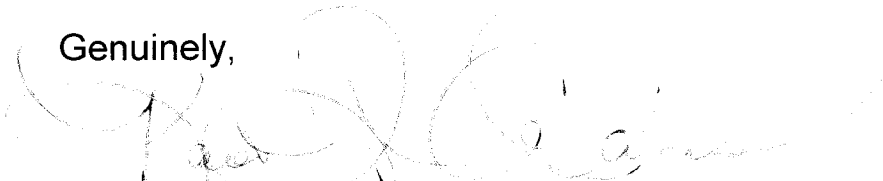
Good governance can only be accomplished with a separation of the Treasurer and Auditor authority along with all other incompatible offices. The doctrine of incompatible offices should be upheld as intended by law and never abrogated.

- ✓ Insert “compatible” in Government Code § 24300, “By ordinance the board of supervisors may consolidate the duties of certain of the [compatible] county offices in one or more of these combinations:...”. As mentioned in Government Code § 24000, the Treasurer and Auditor are not listed as permissible offices for consolidation under Government Code § 24300. Keep intact the list of office combinations for the board of supervisors to enact by ordinance.
- ✓ Eliminate the contradiction between Government Code § 24300.5 and 24300 to cease the opportunity for consolidations of auditor, treasurer, and director of finance. Lack of uniformity erodes the intent of the law over time. Clearly legislation recognized the clash of duties that exist between Treasurer and Auditor when excluding the offices on the list of acceptable consolidations. Eliminate the inconsistencies in the present law that does not uphold the common law incompatibility doctrine adopted by the Legislature in 2005.
- ✓ Eliminate any future privileges in Government Code § 24304.2 and 24300.5 to the counties seeking to abrogate the incompatibility doctrine recognized in both Government Code § 24000 and 24300 that granted Sonoma and Tulare counties permission to consolidate the offices of Treasurer and Auditor. Currently the ten counties that have consolidated will be exempt from the elimination of this privilege to consolidate and I defer to the committee on defining the proper remedy.
- ✓ Eliminate the exceptions made to counties based on county population, size, region, or any other characteristic provided in Government Code § 24304.1, 24305, 24306, 24306.5, 24307 and 24308. Charter counties are defined by the charter adopted by their voters and requires no mention. Legislation should not provide

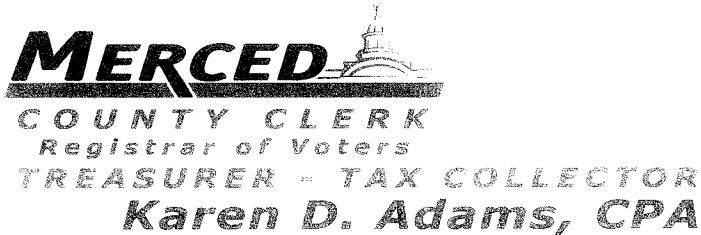
guidance when considering all the regional characteristics that uniquely define a county.

It is my hope that the committee provides legislation that will prevent any future consolidations of incompatible offices with focus on the financial aspects of Treasurer and Auditor. I am honored to have been granted this opportunity to participate in the process.

Genuinely,

A handwritten signature in cursive script, appearing to read "Karen D. Adams".

Karen D. Adams, CPA
Treasurer-Tax Collector-Clerk



Karen D. Adams, CPA
Treasurer-Tax Collector-Clerk

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March 16, 2010

TO: California Senate Local Government Committee

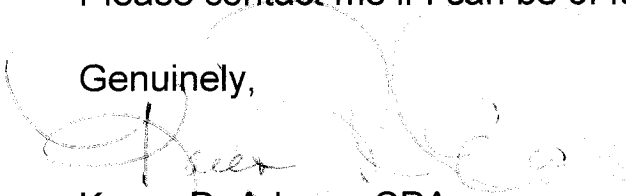
FOR: Oversight Hearing on Prudence and Economy: Rethinking State Limits
on County Offices

HELD: State Capitol, Room 112, Wednesday, March 17, 2010

Please find my attached responses to the questions set forth in the Briefing Paper for the Oversight Hearing. I thank you for the opportunity to speak on your panel and hope I have provided insightful arguments against any further consolidation of incompatible offices.

Please contact me if I can be of further assistance.

Genuinely,



Karen D. Adams, CPA

Prudence and Economy: Rethinking State Limits on County Offices

Responses Submitted by

Karen D. Adams, CPA, Merced County Treasurer-Tax Collector-
Clerk-Registrar of Voters (TTC-CCROV)

at Senate Committee Hearing in Sacramento, CA, State Capitol, Room 112
Wednesday, March 17, 2010

Prudence and Economy: Rethinking State Limits on County Offices

- Would counties benefit from a simplified and standardized statute governing the consolidation of county offices?

In some cases a consolidation may be practical and benefit the citizens if no “incompatibility of authority” exists. Clearly the Auditor and Treasurer are not compatible and clash of duties does so exist. Incompatibility addresses the need for independence. The independence of an Elected as intended by the original CA Constitution must be protected. If these Elected positions were converted to an Appointed status, the appointee could be subjected to undue political pressure or influences. Prudence defines the practical duty in which provident care is essential over the management of resources in order to meet the organization’s objectives, while Economy is charged with the efficient, sparing, or concise use of resources. Therefore, Prudence must outweigh any Economic benefits in order to provide assurance of a fair equitable system with justice while preserving the assets held under the trust of the citizens.

- If changes to these statutes are necessary, what issues should state law address and what issues should be left to the discretion of county officials and voters?

It is imperative for state law to uphold the intent of our founding fathers in all standards to ensure protection of our rights. The CA legislators now have an opportunity to eliminate the inconsistencies in the present law and to explicitly prohibit the abrogation of the incompatibility doctrine. There must be restrictions placed on the Board of Supervisors

to prevent the right to redefine an Elected status representing the entire through the use of an ordinance or an ability to persuade special privileges sought through legislature.

County Offices – Background and Current Law

- Do special exceptions, ambiguities, and contradictions in the state law governing county office consolidations prevent counties from saving money and improving service delivery by consolidating offices?

Each Elected has a defined authority through the CA Codes. However, the Code many times fails to permit the actual recovery of related costs associated with enhancing services. At times, improvements must be incorporated under the gray interpretation of the code; otherwise improving service delivery can not be accomplished without impacting a county's fixed budget demands. Therefore, non-mandated services may be bound by lack of available appropriations. An archaic interpretation of cost recovery standards at a fixed dollar amount prescribed in law binds many Electeds from embracing efficiencies that should be afforded to their community. Many explicit service costs do not recognize the actual recovery associated with improved services. The code has inconsistencies between mandated fixed cost recovery and permissible recovery of actual costs related to the process. The inconsistencies and lack of vision in cost recovery language is a true detriment in promoting efficiencies benefiting all parties.

- What is the voters' role in approving changes to the structure of county offices? Is the power of referendum and initiative sufficient, or should state law require voter approval for all consolidations?

Voter Approval should be required on consolidation of compatible offices and the doctrine of incompatible offices should be upheld as intended by law and never abrogated. The Board of Supervisors should not have the ability to take control or subject an Elected to a consolidation based on promoting their self interest or as a quick fix to the complicated issue of preserving services as Baby Boomers exit the workplace taking years of valuable institutional knowledge.

County Office Consolidations and County Population

- Should state law apply the incompatible offices doctrine uniformly to all counties, or does it make sense to abrogate the doctrine in some counties but not others?

YES! Lack of uniformity erodes the intent of the law over time. No exception should be made regardless of county size, region, or any other characteristic. Some protection must be afforded to the Voters when presented with ballot measures that if passed would erode the protection the Code intended.

- Should the Legislature reconsider the decision to abrogate the incompatible offices doctrine to allow the consolidation of auditor-controller and treasurer-tax collector offices?

YES! Time will yield consequences with the erosion the independence requirement for an Elected to be void of any clash of duties. Multiple independent review of financial decisions is in the best interest of its citizens. Any corporate CEO will cite the need for an independent internal audit division which remains disconnected from other divisions in order to provide an unbiased view of the internal controls and to assess that segregation of duties does provide assurance that fraud, collusion, or embezzlement is mitigated at the highest standard.

Government Code clearly defines the Treasurer's fiduciary duty entrusted with the safekeeping of all cash & investments. While a desk has no portability, cash is a highly liquid seize-able asset subject to loss in many ways. The intent of the initial laws prohibiting incompatible offices remedied this potential loss. Additional code mandates an oversight authority to audit the Treasury for potential loss by requiring a monthly audit performed by the County Auditor.

Internal auditing provides a cornerstone for strong governance. An auditor is an individual expected to provide an "unbiased" evaluation of

the accuracy of financial transactions and accounts. It is a fallacy to consider that some one can be “unbiased” of your self.

By consolidating Treasurer-Tax Collector with Auditor-Controller you erode assurance that safekeeping will be provided at its highest level and deficiencies may not be detected or exposed within an organization seeking to promote itself as a well managed division of the county.

Fathom the notion of the State Treasurer’s Office being consolidated with the State Controller’s Office in order to meet today’s constraining budgetary issues. Clearly the citizens of this great state would be provided no protection from the long list of harmful outcomes.

- Can state law give counties greater flexibility to consolidate county offices without undermining the checks and balances that the incompatible offices doctrine is intended to protect?

NO! There should be not exception to permit a county to abrogate the doctrine of incompatible offices as per my statement above.

County Office Consolidations and Charter Counties

- Does the relative similarity of office combinations adopted in all counties suggest that the state doesn't need to be so selective in specifying office combinations?

NO!

- Because general law counties consolidate offices to a similar extent as charter counties, does state law present significant obstacles to general law counties?

NO COMMENT

- Should state law continue to distinguish between the types of consolidations authorized for charter counties and those authorized for general law counties?

NO COMMENT

County Office Consolidations and Officeholder Qualifications

- Can state law give counties greater flexibility to consolidate county offices while ensuring that officeholders possess the specialized qualifications necessary to perform the functions of some county offices?

Rarely would a consolidation provide an opportunity to nullify the qualifications standards required to provide leadership. The elected Auditor & Treasurer can both qualify based under the qualification standard as a Certified Public Accountant. While I myself, a CPA, started my career specializing in auditing and tax law, at the county level I have evolved from a Staff Auditor, an Assistant Treasurer-Tax Collector, and now an Elected Treasurer-Tax Collector. This evolution to elected process did not come without difficulty, yet my auditor experience clearly assisted me in the position as Assistant Treasurer-Tax Collector to develop a transaction system to provide logic and transparency for monthly cash & investment examination performed by the elected Auditor.

Both the audit and treasury investment function are specialized fields of study requiring a commitment. As the years have passed by during this evolution, I no longer hold myself out as an auditor or tax accountant because much of that specialty is now stale or outdated. I now hold myself out as a Chief Investment Officer (Treasurer) committed to preservation of capital through the key fiduciary prudent man principal of SLY for Safety, Liquidity, and Yield. As an Elected, I do not compromise to the political pressure to take undue risk to seek yield. However, as an Appointed, I would be bound by the Board of Supervisors in fear of dismissal for not abiding by their request to do so.

Good governance can only be accomplished with a separation of the Treasurer and Auditor authority along with all other incompatible offices.

Karen Adams, Merced County TTC-CCROV
Oral Testimony presented to California Senate Local Government
Committee on March, 17, 2010

Good Morning! Thank you for the opportunity to speak to you today.

I am Karen Adams, the Elected Merced County Treasurer-Tax Collector-County Clerk-Registrar of Voters- Revenue Officer and Ex-officio Trustee for Merced County Employees Retirement Association which is a 1937 Act Retirement Plan. I state all my titles with no arrogance, but rather to illustrate the multiple hats I wear each day at Merced County. I am also a Certified Public Accountant and as the elected Treasurer-Tax Collector I meet 4 of the 5 qualification standards set forth to run for office.

I began my career as a CPA working in auditing and tax law. 17 years ago, I transferred to the public sector at Merced County as a staff auditor in the Auditor Controller's office. Several years later, I was promoted to the Assistant TTC responsible for the treasury including fixed income investing. In 2002, I was elected Treasurer-Tax Collector and now run unopposed for my 3rd term.

In 2008, I was approached by the CEO regarding consolidating the Auditor's office under my authority as TTC because the Auditor was retiring. No surprise to the CEO, I declined the offer and reiterated my position that I believe a consolidation of the offices would violate independence and provide no protection for the citizens. He agreed and

instead offered me the other 4 departments under the retiring Auditor authority.

In an effort to be a “team player” I agreed to participate in this consolidation. During consolidation communications I realized negotiations were not going the way I intended. Therefore, I agreed to take only the County Clerk, Registrar of Voters, Revenue Office with the Records office consolidated under the Assessor. While I will confess my hesitance to wear 6 hats on a daily basis, I am thankful for the staff I am truly privileged to work with. Each unique division has a genuine passion for serving their community and I am truly grateful to have my position in leadership.

Of course an individual can wear multiple hats and with grit and determination be successful, but I request you consider the question does effectiveness get sacrificed.

Therefore...I confess...that Yes... a person Can do it all, but Should they?

In some cases a consolidation may be practical and benefit the citizens if no “incompatibility of authority” exists. Clearly the Auditor and Treasurer are not compatible and clash of duties does so exist. Incompatibility addresses the need for independence.

Government Code clearly defines the Treasurer’s fiduciary duty entrusted with the safekeeping of all cash & investments. While a desk has no portability, cash is a highly liquid seize-able asset subject to loss in many ways. The intent of the initial laws prohibiting incompatible

offices remedied this potential loss. Additional code mandates an oversight authority to audit the Treasury for potential loss by requiring a monthly audit performed by the County Auditor.

Internal auditing provides a cornerstone for strong governance. An auditor is an individual expected to provide an “unbiased” evaluation of the accuracy of financial transactions and accounts. It is a fallacy to consider that some one can be “unbiased” of your self.

With no disrespect to my combined colleagues whom I admire, I believe the laws were designed to avoid the perception of impropriety and maintain independence for these important fiscal offices. By consolidating Treasurer-Tax Collector with Auditor-Controller you erode assurance that safekeeping will be provided at its highest level and deficiencies may not be detected or exposed within an organization seeking to promote itself as a well managed division of the county.

Both the audit and treasury investment function are specialized fields of study requiring a commitment. As the years have passed by during this evolution, I no longer hold myself out as an auditor or tax accountant because much of that specialty is now stale or outdated. I now hold myself out as a Chief Investment Officer (Treasurer) committed to preservation of capital through the key fiduciary prudent man principal of SLY for Safety, Liquidity, and Yield. As an Elected, I do not compromise to the political pressure to take undue risk to seek yield. However, if Appointed, I would be bound by the Board of Supervisors in fear of dismissal for not abiding by their request to do so.

Fathom the notion of the State Treasurer's Office being consolidated with the State Controller's Office in order to meet today's constraining budgetary issues. Clearly the citizens of this great state would be provided no protection from the long list of harmful outcomes

Good governance can only be accomplished with a separation of the Treasurer and Auditor authority along with all other incompatible offices.

Thank You....

Measure B: The cost of consolidation

By Richard Arrow

Posted: 10/06/2008 08:51:08 AM PDT

FOR 21 YEARS, I have served as your elected auditor-controller. I have taken great pride in working for the people of Marin County and have always sought to do my job with integrity and honoring the trust you have placed in me.

The people of Marin County have consistently proven that when faced with a decision on how to vote for county officers, they are competent to make the right decision.

Appearing on the Nov. 4 ballot is a county-sponsored Measure B that would consolidate the elected offices of auditor-controller and treasurer-tax collector.

The new position would be an appointed position hired by and reportable to the Board of Supervisors.

There are many facets to this proposal that need elaboration and public discussion. Issues dealing with qualifications of office holders, public accountability, independence, timing and organizational impact are a few of the items that need clear, objective, detailed and informed analysis.

With that said, I would like to take this opportunity to share with you my views on this very important matter of public policy that will have far-reaching impact for many years to come.

First, I would like to acknowledge that in a consultant's report produced for the county administrator there are some cogent points on why the consolidation of the office may be beneficial. I do not fully agree with some of the points.

For example, would there really be cost savings attributable to this position if the county has to hire additional staff to provide the same services? There would be a need for additional external auditing costs because the auditor-controller function would no longer be independent and could not audit the cash and investments managed by the treasurer's office.

There also are additional costs due to the management review by an outside firm to evaluate the functions of the finance department.

My main concern is that although there may be some "efficiencies" in combining the office, there would also be a concentration of significant financial power within one office verses two.

In terms of the consolidation of offices, I believe it is of paramount importance that the individual charged with the administration of both offices be qualified to perform the tasks of auditor-controller and treasurer-tax collector.

These two positions are very detail oriented and require years of training and experience in these two separate disciplines.

Choosing appropriate and safe investments on the treasurer side is mission critical for safeguarding assets of all depositors in the county treasury such as school districts, various special districts and the county.

Accounting and reporting of county finances is just as much critical in providing fiscal information to the board, public agencies, credit-rating agencies, the state Controller and the public.

Reviews of financial controls, ensuring safeguards and accountability in the administration of the fiscal affairs of the county are most vital in assuring the sustainability of our organization.

Independence and public accountability go hand in hand. There has been much debate on whether sufficient independence can co-exist with an appointed public official who is accountable to the governing board that hired them.

Is it better to have an independently elected official accountable to the public to serve their interest? While some California counties currently have appointed finance directors, the majority of counties continue to elect their financial management positions by a vote of the people.

It has been my experience that Marin County is a community that values the independence of its elected officials. Would an appointed finance director have the necessary independence to safeguard the public's interest in questioning major financial decisions proposed by a board of supervisors?

I believe in government being open and accountable to the people. In the end, it is up to you, the voters of Marin County, to decide whether this is the direction you want the critical missions of the county's financial offices to go.

I have always had trust in the public and remain confident that you will make the best decision for our county.

Richard Arrow has been the county auditor-controller since 1987.

Raising the Bar for County Treasurer

Written by VCDCC Admin on November 24th, 2009

Summary:

When Ventura County Treasurer-Tax Collector Larry Matheney announced last week that he would not seek another term, it came as a big surprise that Assemblywoman Audra Strickland, whose professional experience is limited to her political work and her time as a private junior high schoolteacher, was going to run for the position, which she officially announced Tuesday.

By Michael Sullivan [Ventura County Reporter](#)

When Ventura County Treasurer-Tax Collector Larry Matheney announced last week that he would not seek another term, it came as a big surprise that Assemblywoman Audra Strickland, whose professional experience is limited to her political work and her time as a private junior high schoolteacher, was going to run for the position, which she officially announced Tuesday.

Albeit, in order to run for just about any elected seat — whether it be the governor of California or the tax collector of Ventura County — candidates must meet very minimal qualifications, mainly, they must be registered to vote and be older than 18, and the process to obtain such positions is based solely on the will of the people. While we are not going to dwell on the flaws of the democratic process — the electing of certain individuals who are seemingly not qualified — in the case of county treasurer-tax collector, if we refuse to learn from the mistakes of the past, we are doomed to repeat them.

Fifteen years ago, Orange County declared bankruptcy, losing \$1.6 billion due to extremely risky financial investments made by the longtime treasurer-tax collector, Robert Citron. Mark Baldassare of the Public Policy Institute of California then wrote a follow up to the OC debacle in 1998, making 10 policy recommendations to prevent such a disaster in the future. One of the recommendations was that “local elected officials need more financial expertise and objective professional advice so that they can make sound fiscal policy decisions in the complex world of municipal finance.” California legislators had also passed Senate Bill 863 in 1995 that would require individuals running for treasurer to meet certain professional and educational standards. But this law was specific to individual counties and would only be enacted if a county’s board of supervisors adopted it. To this day, the provision has not been adopted locally by the Board of Supervisors.

Although times have changed, fortunately, the supervisors can still approve and enact the law before Matheney gives up his post as the county’s watchdog over public funds. SB 863 requirements include either having worked in a senior financial management position for a public agency; have an accounting or finance degree or be a certified

public accountant or chartered financial analyst. We believe these qualifications to be minimal and absolutely necessary, considering the millions of dollars the treasurer-tax collector must be accountable for and the county's multimillion dollar budget shortfall during this economic climate.

Given the questionable practice of earning money by running husband Tony Strickland's Senate race campaign where Audra's company earned six figures through fundraising — a practice which now is illegal, courtesy of a bill proposed by Tony himself this summer — and her limited professional experience, we don't believe she is the right person for the job. We are also careful to endorse any person for that position, unless they meet the minimum requirements included in the provision, whether or not the supervisors enact it.

We hope Ventura County's Board of Supervisors expedites this agenda item of raising the minimum requirements for treasurer to the top of the list — or at least well before Feb. 15, the time when candidates can file declarations of their intent to run for office. While the current treasurer-tax collector called Audra's intent to run for the seat as "great," we suggest proceeding with caution, hoping that the supervisors will do everything possible to hire a qualified and experienced individual to this important decision. At a salary of more than \$150,000, they should have many applicants.



COUNTY ASSESSOR-RECORDER

Kent B. Christensen
Assessor-Recorder

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Equal Opportunity Employer

Honorable Chair and Committee Members

My name is Kent B. Christensen; I am 32 year member of the Merced County Assessors' office. I was elected and took office to the position of Assessor on December 25, 2006. I am currently the elected Assessor-Recorder for Merced County adding the position of Recorder as of January 5, 2009.

In early 2008 the then Auditor/Controller/Recorder/Clerk/Registrar of Voters/Revenue & Reimbursement gave notice that he would be retiring January 4, 2009. Over the course of the next several months it became known that the assistant was also going to retire. With the prospect that an outside individual would be hired to replace the current auditor it became apparent that the new individual would be required to learn a lot of duties that they would be unfamiliar with as the probability of finding someone with this diverse a background would be almost impossible. I was approached by the CEO in mid summer about the prospect of taking leadership of the recorders office. We believed that the combination of the Assessor and Recorder offices made sense especially when looking at the duties, functions and staffing. The Tax Collector/Treasurer was asked to take over the Clerk/Registrar of Voters and Revenue & Reimbursement offices.

It was believed that my existing office was well run and would continue to run well while I learned the new position. I was allowed to attend several conferences before taking over as Recorder and sat with staff before taking the position to learn what they did daily and get a general feel for the office. I was very lucky to have a Chief Recorder Clerk of 36 years working there. It is not an easy task to take over the duties of a new office but one that was very doable. I believe that combining the Recorder with the Assessor is a good fit and hopefully in the future some integration of the two offices will occur. Currently they exist in different locations.

I believe this action was taken to keep all the offices running at a high level of service to the public. Additional costs were incurred to the county for this change and although there was a steep learning curve when I assumed the office I do not believe the public suffered do to the change. I do not believe that it is an overall hardship to learn the new positions. It is helped by having a well qualified staff to support you in the transition. Both the Tax Collector and I are familiar with County Government and therefore understand the processes and know where to obtain information to keep a department running smoothly. I do believe that combining too many offices together makes it difficult to get qualified people for the positions and creates too big of an organization to run efficiently and effectively. With change also comes new ideas and I believe that the offices will be better for it. I believe the prior combination of offices was unwieldy for one person to manage and therefore the departments and the public suffered.

STRIVING FOR EXCELLENCE

Weinberger, Brian

From: Rodney A. Dole [RDOLE@sonoma-county.org]
Sent: Thursday, March 18, 2010 3:12 PM
To: Weinberger, Brian
Subject: Sonoma County Documentation of Internal Control

Hi Brian,
As requested, please find attached a copy of Sonoma County's Documentation of Internal Control. This document is in accordance with SAS#112 (Audit Standards) which requires governments to document their internal controls. Sonoma County is ahead of the curve on this requirement. You'll note one of the major sections of the report address our internal controls for **Treasury and Investments** (D[a]1-6).

If I can be of further help, please don't hesitate to ask.
Rod

Rod Dole
Sonoma County Auditor-Controller-Treasurer-Tax Collector
585 Fiscal Drive
Santa Rosa, CA 95409

Note: This summary report includes the contents of the attached document through the section on internal controls for treasury and investments. Subsequent sections listed in the table of contents are not reproduced in this summary report.

COUNTY OF SONOMA

Documentation of Internal Control

County of Sonoma
Documentation of Internal Control

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County of Sonoma
Documentation of Internal Control

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MACIAS GINI & O'CONNELL LLP
 Certified Public Accountants & Management Consultants

3000 S Street, Suite 300
 Sacramento, CA 95816
 916.928.4600

Greg McGuirk
 Internal Auditor
 County of Sonoma

Senior executives have long sought ways to better control the organizations they run. Internal controls are put in place to keep the organization on course toward its goals and achievement of its mission, and to minimize surprises along the way. They enable management to deal with rapidly changing economic and budgetary environments, shifting citizen needs and priorities, and restructuring for future growth. Internal controls promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations.

Because internal controls serve many important purposes, there are increasing calls for better internal control systems and report cards on them. Internal controls are looked upon more and more as a solution to a variety of potential problems.

For these reasons, the American Institute of Certified Public Accountants (AICPA) recently issued new auditing standards that specifically address the documentation of internal controls.

The purpose of this document is to provide County of Sonoma (County) documentation of its significant internal controls over financial reporting related to the County's Comprehensive Annual Financial Report necessary to comply with these recently issued auditing standards, the lack of which would have put the County at risk of having a material weakness or significant deficiency reported in the area of financial reporting. The internal controls that are documented were determined by County management, with consultation from our firm, to be the primary controls that either prevent or detect and correct material errors related to the County's financial reporting.

We appreciate the opportunity to be of service to the County, and are happy to answer any questions you may have regarding this document.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
 June 15, 2009



Internal Control

Internal control is defined as a process, affected by an entity's people, designed to accomplish specified objectives. The definition is broad, encompassing all aspects of controlling a business, yet facilitates a directed focus on specific objectives. Internal control consists of five interrelated components, which are inherent in the way management runs the enterprise. The components are linked, and serve as criteria for determining whether the system is effective.

Components of Internal Control

Control Environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the Board of Supervisors.

Risk Assessment

Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

Control Activities

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Information and Communication

Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Information systems product reports, containing operational, financial and compliance-related information, that make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.

County of Sonoma
Documentation of Internal Control
Definitions (Continued)

Monitoring

Internal control systems need to be monitored — a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.

County of Sonoma
Documentation of Internal Control
Control Environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.

There are seven principles that relate to the control environment and they are as follows:

1. Integrity and Ethical Values
2. Board of Directors (Supervisors)
3. Management's Philosophy and Operating Style
4. Organizational Structure
5. Financial Reporting Competencies
6. Authority and Responsibility
7. Human Resources

The County is to provide superior and courteous services to support, preserve, and enhance the health, safety and quality of life for the people of Sonoma County.

1. Integrity and Ethical Values

Sound integrity and ethical values, particularly of top management, are developed and understood and set the standard of conduct for financial reporting.

Per California Government Code Section 53235, any elected local agency official who receives any type of compensation, salary, or stipend, or reimbursement for actual and necessary expenses incurred in the performance of official duties, shall receive at least two hours of training in general ethics principles and ethics laws relevant to his or her public service every two years. The County embraces and complies with this requirement to ensure that top management understands and develops the standard of conduct for financial reporting.

The County has a Workplace Violence Policy in place that was approved by the Board of Supervisors on September 20, 1994 which states "Employees will be courteous and professional in their dealing with the public. Employees will treat supervisors, subordinates and fellow County employees with respect. They will be courteous and civil at all times in their relationships with one another. Directions to subordinates will be in clear and understandable language, civil in tone, and issued in pursuit of County business. Threats of violence, bodily harm or physical intimidation by employees will not be tolerated. Violation of this policy may result in disciplinary action, in accordance with applicable Civil Service rules."

The County also maintains Conflict of Interest and Incompatible Activities Policies which are included within the County's Salary Resolution No. 95-0926 and provided to all employees at the time of hire.

County of Sonoma
Documentation of Internal Control
Control Environment (Continued)

There is a Sonoma County Safety Management Program to provide for the safety, health and security of all County employees and the public served. This responsibility extends to all employees, volunteers, contractors, visitors and the public conducting business on behalf of the County of Sonoma. This policy applies to all agencies, departments and special districts under the direct control and governing authority of the Board of Supervisors and is referred to as "departments".

Department Heads have the authority and responsibility for the implementation of the County Safety Management Program. It is the role of the Department Head to provide visible guidance and operational leadership to implement a culture of safety and continuous improvement and to designate and support Department Safety Coordinator(s) consistent with the requirements and responsibilities outlined in this document.

To ensure the values of the County of Sonoma are maintained and adhered to, the County created an Equal Employment Opportunity Office. The Equal Employment Opportunity Office serves as the place of contact for all County employees, and applicants for employment, to address issues of possible discriminatory conduct and/or issues of reasonable accommodation.

The Equal Employment Opportunity Manager provides departments and employees with the needed support and assistance in these areas:

Resource to Employees

- Available as a resource to employees providing referrals as needed to support services (i.e. Employee Assistance Program). Works in advisory capacity with managers and supervisors on employee issues.

ADA Coordination

- Responsible for coordinating reasonable accommodation efforts consistent with the Americans with Disabilities Act (ADA). This may involve working with Risk Management on Worker's Compensation, Long Term Disability, Return to Work and Vocational Rehabilitation cases.
- Also responsible for coordinating with Occupational Health Services on ADA accommodation issues.

Compliance

- Ensuring compliance with Federal ADA regulations and State and Federal Equal Employment Opportunity regulations.

Training

- Responsible for providing training to all County employees on discrimination issues focusing on the prevention of sexual harassment.
- Other training is provided to County-wide ADA Coordinators relative to reasonable accommodation issues.

- Sexual Harassment in-service training is provided for employees upon department request.
- Supervisors & Managers Core Training series is required for employees in supervisory positions to provide a solid grounding in the legal and practical application of issues confronting supervisors and managers in the public sector.

The Equal Employment Opportunity Investigator is:

- Responsible for investigating complaints of discrimination consistent with County, State and Federal procedures and regulations; and provides assistance to all parties in the conciliation of EEO issues.

The existence of a dedicated staff to ensure that the policies and procedures approved by the Board of Supervisors illustrates that sound integrity and ethical values, particularly of top management, are developed and understood and set the standard of conduct for financial reporting are adhered to.

2. Board of Supervisors

The board of supervisors understands and exercises oversight responsibility related to financial reporting and related internal control.

The Sonoma County Board of Supervisors sits as the governing board of Sonoma County and of various special jurisdictions such as the Sonoma County Water Agency, the Northern Sonoma County Air Pollution Control District, the Agricultural Preservation and Open Space District, County Sanitation Districts, and the Community Development Commission. The Board is composed of five supervisors elected from supervisory districts for four-year terms.

As the County legislative body, the responsibilities of the Board of Supervisors are diverse. A major task of the Board of Supervisors is to manage the public money which comes to the County from property tax, sales tax, fees, and federal and state income grants. The County budget has funds for services such as:

- local road construction and maintenance
- law enforcement
- land use planning and enforcement
- open space preservation
- local bus service
- public health programs
- human service programs
- regional parks

The Board of Supervisors is committed to providing the highest quality service to the public in a timely manner. To ensure that the public is heard on issues of concern, the Board of Supervisors provides a forum for problem solving as it relates to government agencies and processes. To meet that goal, the Board of Supervisors also provides information and appropriate referrals to individuals who can resolve conflicts between individual citizens and the County departments.

Another significant activity of the Board of Supervisors is to plan for the future and include as much citizen participation in the process as possible. To accomplish that goal, the Board of Supervisors has a broad spectrum of advisory boards and commissions who contribute to the planning process.

The Board of Supervisors also has required certain transactions of a material nature be submitted to them for review and approval before the transaction can be processed. The Board of Supervisors for example must review and approve all supporting documents related to the settlement of a general liability claim brought against the County if the amount of the settlement is greater than \$25,000.

The Board of Supervisors also reviews and approves the County's Comprehensive Annual Financial Reports (CAFR) as well as the County Single Audit and all component unit audit reports after issuance.

The implementation of transactional authority limits and the requirement that the Board of Supervisors must review and approve all financial reports illustrates that the Board of Supervisors understands and exercises oversight of responsibility related to financial reporting and related internal control.

3. Management's Philosophy and Operating Style

Management's philosophy and operating style support achieving effective internal control over financial reporting.

The Mission of the Auditor-Controller-Treasurer-Tax Collector is to provide reliable and relevant financial information and quality financial services in an efficient, ethical and effective manner to the citizens of Sonoma County, while promoting fiscal responsibility and accountability.

Values:

- Integrity
- Quality Service and Value
- Excellence and Accountability
- Employee Engagement

County of Sonoma
Documentation of Internal Control
Control Environment (Continued)

Goal:

The Auditor-Controller-Treasurer-Tax Collector's Office (ACTTC) strives to achieve superior customer service through innovation, effective teamwork and easy-to-understand information.

To assure that management's philosophy and operating style is emphasized and communicated downward throughout the ACTTC, the County has an Executive Team that meets on a monthly basis. The Executive Team includes the Auditor-Controller-Treasurer-Tax Collector, the Assistant Auditor-Controller, the Assistant Treasurer and the Assistant Tax Collector.

The purpose of the monthly Executive Team meetings is to discuss items such as fiscal policies, the economic strategic plan, critical departmental wide projects such as the upgrade of the general ledger system and vendor access to internal County systems, recruitment to fill open positions, and feedback from previous division manager meetings to name a few.

Information discussed during the Executive Team meetings is shared with the nine division managers of the ACTTC during their periodic manager meetings, except for strictly confidential information such as disciplinary action that would not be appropriate to share with lower level staff.

The division managers share the information discussed with their staff during their staff meetings.

The ACTTC also maintains a strict Delegated Purchasing Authority to facilitate the acquisition of certain materials as well as a strict policy for processing journal vouchers and claims for payment.

No purchase shall be made by any County officer or employee without a purchase order or other written authority first obtained from the Purchasing agent, except for items that do not exceed \$2,500, items exempt by Board of Supervisor's Resolution No. 95-0328, items purchased through the County's Cal Card program, items exempt by law and emergency purchases. For purchases that do not exceed \$2,500, including sales tax, freight and handling, the transaction may be authorized by a Department Head without prior approval of the Purchasing Agent (Sonoma County Ordinance No. 5699).

Journal vouchers, claim forms and deposit authorization forms are the mechanisms for recording financial activities to FAMIS, the County's general ledger system. FAMIS requires all users to securely logon using their personal identification and password in order to post entries.

Before posting, each journal voucher is reviewed to ensure that it is properly coded, that it balances, that it is properly supported with appropriate back up and that it makes sense.

County of Sonoma
Documentation of Internal Control
Control Environment (Continued)

Each journal voucher requires approval. Lists are maintained by the Auditor-Controller Claims Unit with signatures of department accounting staff authorized to approve journal vouchers. In general, accounting staff can only approve entries affecting their particular department. Interdepartmental billings are approved by the County Administrator.

Processing claims for payment consists of verifying the validity of the expenditure and coding, ensuring proper authorization and that the vendor is on the pre-approved vendor list, batching for data entry and balancing the processed warrant with the control total.

Supporting documentation is reviewed for compliance with purchase order specifications, contractual agreements and/or County policy. Prices, discounts and sales and use taxes are also taken into consideration when determining the proper amount to be paid.

A Department Head or their delegate must approve the request for payment (a list of these delegates and their signatures are maintained by the ACTTC) and there must also be a signature from the person who acknowledges receipt of the goods or services.

After payment documents are reviewed and stamped for approval, they are sequentially numbered, totaled, added to a control log and placed into a basket for entry into the accounting system.

Before checks are released, the check register is balanced to the control log totals. In addition, each check is directly matched against each payment document for accuracy.

Processing deposit authorization forms requires the depositing department to provide an Official County Receipt as well as a signed deposit authorization form by an authorized signer. The Accounting Division compares the Official County Receipt with the amount noted on the deposit authorization form and reviews for authorized signature. The Accounting Division staff signs and stamps a sequential number on the deposit authorization form to easily identify any missing deposits at the end of each day during the daily reconciliation process.

The Treasury Division will only accept funds for deposit if the deposit authorization form is signed by the Accounting Division and the amount noted on the deposit authorization form agrees with the deposit intake amount.

The ACTTC maintains Business Recovery Plans for each of the divisions within.

The Business Recovery Plans identify what the critical services provided by that division are, what the protocol is in case of a disaster or major business interruption, the contact information hierarchy and the steps to business resumption.

Due to the heavy reliance upon computer systems of the ACTTC, the County's Information Systems Department maintains a Business Continuity Plan which identifies the critical systems and recovery steps necessary to achieve complete and data integrity.

Periodic management and staff meetings, implemented policies and procedures and business recovery/continuity plans emphasize that the County's Management philosophy and operating style of achieving effective internal control over financial reporting is communicated downward to all levels of staff and will minimize the likelihood of a material misstatement due to data disruption.

4. Organizational Structure

The County's organizational structure supports effective internal control over financial reporting.

Management (Board of Supervisors, Department Heads and Supervisors) is responsible for establishing and maintaining internal controls and a controlled environment. It is important to have a strong organizational structure to support Management's decisions.

Beginning at the top, there is a County-wide organizational chart for which each department identified has their own respective organizational charts. These organizational charts support the foundation of internal control by illustrating the structure of:

- How individuals responsible for the accounting and/or financial reporting functions of the County report to a higher-level position for review
- Where a separation of duties exists within departments
- The County's separation of duties methodology by using a centralized process for transactions that would have a material impact to the financial statements

An effective organization will match up appropriate individuals with capabilities, objectivity, and authority in the roles of the organization. This is demonstrated within **Principle 7. Human Resources** below, where Human Resources is actively involved in ascertaining the required knowledge, skills and abilities necessary to fill employee positions and by providing ongoing training and development programs to ensure continued development.

Once the structure is in place, it becomes a matter of monitoring the roles and the assessment of internal control performance over time to determine whether internal control is adequately designed, appropriately executed, and effective. The County embraces this methodology and considers the organizational structure itself to be a functional tool to support internal control.

A detailed example of how the organizational structure functions as an effective internal control regarding financial reporting can be seen in the ACTTC.

County of Sonoma
Documentation of Internal Control
Control Environment (Continued)

As documented in **Principle 5. Financial Reporting Competencies**, the Accounting Manager, Assistant Auditor-Controller and the Auditor-Controller all review the annual financial statements compiled by the Accountant/Auditor before they can be submitted to the Board of Supervisors for approval. Also noted is the fact that employees responsible for financial statement reporting attend professional training, conventions, and workshops to stay updated on recent accounting pronouncements and their effect on financial reporting. This multi-layer review performed by increasingly higher levels of management illustrates the County's desire for effective internal control over complete and accurate financial reporting.

Another example of how the organizational structure functions as an effective internal control over financial reporting is reflected in the separation of duties that can be seen at the department level.

Within the ACTTC there are nine divisions, two of which are Treasury and Accounting. A responsibility of the Treasury and Accounting Divisions is to transact wire transfers requested by different departments within the County. The Treasury Division inputs the wire information into the Bank of America online banking system and the Accounting Division reviews the information in the system against the wire transfer request received from the department. Accounting will not release the wire if the information does not agree.

The Treasury Division has the ability to initiate a wire transfer within the online banking system but cannot release the wire and the Accounting Division has the ability to release the wire but cannot initiate the wire transfer within the online banking system. This separation of duties supports management's assertion that the organizational structure of the County facilitates effective internal control surrounding areas where a misappropriation of funds could occur.

At the top level, we can see how the County-wide organizational structure functions as an effective internal control in the way accounting entries are entered into the general ledger system and the way purchase orders are processed within the purchasing system.

Although there are many departments within the County, all accounting transactions must be funneled through the ACTTC for approval and posting to the general ledger and all purchases greater than \$2,500 must be funneled through the Purchasing Division.

Departments prepare journal vouchers, deposit authorization forms and claim payment requests for submission to the ACTTC for entry into the general ledger. All forms must be signed by the appropriate department level personnel and each department must provide supporting documentation for review and evaluation against policies and procedures before entry into the general ledger is made.

For purchases, the County utilizes the Buyspeed Purchasing System to input and complete order requisitions. The department submitted requisition must be signed by an employee with Department Head status or their designee within Buyspeed in order for the purchase to be processed by the Purchasing Division.

Delegated Purchasing Authority has only been granted to Department Heads for purchases up to \$2,500 per transaction. Purchases greater than \$2,500 up to \$25,000 are procured or approved by the Purchasing Division and purchases exceeding \$25,000 require Board of Supervisors approval.

Upon receipt of a properly prepared and authorized requisition, the Purchasing Division compares the requisition for goods or services to a purchase order, contract or Board of Supervisors approval. Departments entering requisition information into Buyspeed do not have the ability to approve the order for purchase and therefore cannot grant payment authorization.

The organizational structure of the County as it relates to both accounting and material purchase transactions, illustrates that the County's organizational structure supports effective internal control over financial reporting utilizing a separation of duties surrounding areas where the impact of accounting transactions and the purchase of material goods and services occurs.

The Internal Audit Division, under the direction of the Internal Audit Manager, is functionally responsible to the Board of Supervisors and reports administratively to the Assistant Auditor-Controller. The intent of this dual relationship is to establish auditor independence by reporting directly to the Board of Supervisors, while emphasizing executive-level teamwork among the Internal Auditors, the Auditor-Controller-Treasurer-Tax-Collector and senior management. Auditor independence supports effective internal control of financial reporting.

5. Financial Reporting Competencies

The County retains individuals competent in financial reporting and related oversight roles.

The Human Resources Department's Operations Division assists County departments in meeting their staffing needs. Operations staff analyze positions to determine required knowledge, skills and abilities. They develop testing and selection methods to provide departments with high quality candidates to fill their jobs.

In order to ensure ongoing competency of financial reporting requirements, the County maintains a tuition and textbook reimbursement/professional development program. This program provides employees with reimbursement for classes, seminars, and workshops that are related to the employee's job. The program also provides for books and related costs that are required by the class or seminar.

The ACTIC Audit Division is responsible for auditing certain grants, agencies, special districts and benefit/insurance plans that are included within the CAFR. In order for the auditors of the Audit Division to remain informed and up to date on the most recent auditing standards necessary to perform quality audits, the auditors are required by governmental auditing standards to participate in 80 hours continuing professional education every two years.

County of Sonoma
Documentation of Internal Control
Control Environment (Continued)

Similarly, the job class in charge of preparing the information necessary for the CAFR needs to meet the minimum requirements of the Accountant/Auditor class. Please refer to the Sonoma County Human Resources page for job class descriptions for further detail.

Training and career enrichment while not required for the position is strongly encouraged by management. This is primarily done through the attendance of professional training, conventions, and workshops that are held annually by various professional groups in the subject area of accounting and the topics may vary but are generally in terms of financial reporting and how new accounting pronouncements will have an effect on the presentation of the financial statements in the future.

The position also has access to information libraries such as Accounting Research Manager to ensure accounting information, such as recent accounting pronouncements are available and considered.

Additionally, County management is required to perform employee evaluations on a periodic basis. The review and evaluation process provides a forum to determine whether an employee is performing below, meeting, or exceeding the requirements of the position. The periodic review and evaluation of employees is paramount in achieving complete, accurate and quality financial reports.

The County supplements the in-house financial reporting competencies by contracting with our external auditors to prepare the annual financial reporting package. County accounting division staff possess the knowledge and ability to prepare the annual financial reporting package but management has deemed it more expedient to contract out the annual financial reporting package preparation. Once the financial reporting package has been prepared, the Accountant/Auditor, Accounting Division Manager, Assistant Auditor-Controller and the Auditor-Controller review and approve the package before it can be released for issuance.

The Government Finance Officers Association of the United States and Canada awarded the Certificate of Achievement for Excellence in Financial Reporting to the County of Sonoma for its Comprehensive Annual Financial Report for 16 consecutive years. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports and illustrates the competence in financial reporting and related oversight.

6. Authority and Responsibility

Management and employees are assigned appropriate levels of authority and responsibility to facilitate effective internal control over financial reporting.

The process of assuring that the appropriate level of authority and responsibility that is assigned to each employee begins at hiring. County Management and Human Resources have established specific requirements that candidates are to meet in order to apply for any available position. These requirements include relevant education, proven experience and background verification.

County of Sonoma
Documentation of Internal Control
Control Environment (Continued)

Human Resources and Management abide by Civil Services Rules for guidelines and job descriptions/classifications on hiring and promoting. On an annual basis, ACTTC management conducts staff evaluations to align the employee's performance with County objectives of assigning appropriate levels of authority and responsibility to facilitate effective internal control over financial reporting. Managers estimate the workload of each division by individual task. Each task is analyzed and matched with the resources available to perform the work, taking into consideration the level of difficulty, job description/classification, experiences from prior projects and the potential impact created with each assignment. Once the framework is created, management evaluates and determines if the employees meet the expected skill sets or if adjustments are needed and subsequent authority levels are established and granted where necessary.

For example, all Claims employees have been issued authority to process claims, warrants and deposit authorizations by the Auditor-Controller-Treasurer-Tax Collector. The employees have a controlled access to the general ledger system through a secured login user name and password. Each transaction is reviewed by one employee to verify signature, backup documentation and correct calculations. The transaction is posted by another employee to demonstrate the County's desire to maintain a segregation of duties.

Just as important as the processing rights issued are the authority levels granted to those individuals responsible for reviewing and approving claims, warrants and deposit authorizations before they are submitted to the Claims Division for processing. The Claims Unit maintains a book of signatures of all employees authorized by their respective departments and special districts to sign claims, deposit authorization forms and journal vouchers. Only Department Heads can make modifications to authority levels and the signature book is updated annually to stay current.

Segregation of duty controls within the general ledger system are also present so the group of employees authorized to process accounts receivable payments are not authorized to process accounts payable claim requests based on system access rights as determined by management and maintained by the Information Systems Department.

The Claims Section employees are responsible for posting all entries regarding monetary transactions to the general ledger but they are not authorized to receive funds for deposit. The Treasury Division receives the funds for deposit and reviews and approves the deposit authorization form as accurate and it is then forwarded for entry into the general ledger by the Claims Section. Conversely, the Treasury Division does not have access or authority rights to post transactions to the general ledger.

On an annual basis the Board of Supervisors delegates the authority to invest and reinvest all the funds in the County's Treasury to the Treasurer. Such authority and delegation are captured within the Sonoma County Statement of Investment Policy (Investment Policy) and a list of the employees authorized by the Treasurer to perform investment transactions on behalf of the County is given to authorized brokers and the Bank of New York to assure no transactions are made by an unauthorized individual.

The purpose of the County's Investment Policy is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the stewardship of the Sonoma County Pooled Investment Fund. Each transaction and the entire portfolio must comply with California Government Code Section 53601, et. seq., Section 53635, et. seq., and this policy. All portfolio activities will be judged by the standards of the Investment Policy and ranking of investment objectives. The Investment Policy is revised each year and brought before the Board of Supervisors.

An annual compliance audit of the policy and investment transactions is performed to ensure that the guidelines are being followed.

The County believes that the current methodology of assigning authority and responsibility with the assistance of Human Resources and the subsequent controls established to reflect those assignments illustrates that management and employees are assigned the appropriate levels of authority and responsibility to facilitate effective internal control over financial reporting.

Subject to the overall guidelines and policies of the Board of Supervisors, the Internal Audit Division shall be solely responsible for the planning, implementation and reporting of its audits. For this purpose, the Internal Audit Division shall prepare a Strategic Plan to set the long-term direction and approach to audits, prepare a detailed Annual Audit Plan and an Annual Budget for submission to the Board of Supervisors for approval and recruit the necessary personnel at remuneration rates adopted by the Department of Human Resources for appropriate levels of Internal Audit staff.

7. Human Resources

Human resource policies and practices are designed and implemented to facilitate effective internal control over financial reporting.

The mission of Human Resources is to provide County departments with human resources by recruiting, developing and retaining an outstanding work force that are committed to quality public service for the County of Sonoma.

In serving the departments, the employees, and the public, we value:

1. Timely and efficient response to the needs of our customers.
2. Friendly, helpful, professional service that is consistent and principled.
3. Proactive planning and innovative problem-solving for practical solutions.

As noted above within **Principle 5. Financial Reporting Competencies**, the Human Resources Department includes an Operations Division that assists County departments in meeting their staffing needs. Operations staff analyze positions to determine required knowledge, skills and abilities. They develop testing and selection methods to provide departments with high quality candidates to fill their jobs. As staff to the Civil Service Commission, they recommend policy and rule changes, conduct classification studies and respond to examination appeals.

County of Sonoma
Documentation of Internal Control
Control Environment (Continued)

The Human Resources Department's Training Division provides training and development programs that support and challenge County of Sonoma employees at all levels. This includes professional skills development, mandated training, and leadership development programs that help employees provide the highest level of service in their current jobs while allowing them to look ahead to future opportunities. Each year over 3,000 participants attend more than 100 classes offered by HR Training.

The training team also manages the County's volunteer, employee recognition, and public awareness programs. These activities provide opportunities for citizens to personally engage in County services, provide motivation and incentives for the County's paid and non-paid workers, and inform the public of how their tax investment is being used to support and enhance the reasons why we all choose to live and work here in Sonoma County.

By hiring and retaining the best qualified people to fill the roles within the accounting and financial reporting areas of the County, the Human Resources department facilitates effective internal control over financial reporting.



COUNTY OF SONOMA, CALIFORNIA
RISK ASSESSMENT DOCUMENT

AMOUNTS	SIGNIFICANCE			QUANTITATIVE CHARACTERISTICS / RISKS										
	Governmental Funds Balance	Percentage of Governmental Funds Balance	Significant Component	Significant ?	Existence	Completeness	Accuracy	Valuation	Materiality*	Degree of Volatility of Recorded Amount *	Subjectivity in Determining Account Balance *	Susceptibility to Loss or Fraud *	Complexity of Calculation *	OVERALL QUANTITATIVE RATING *
2007 Comprehensive Annual Financial Report (in Thousands)														
STATEMENT OF NET ASSETS, for the year ended June 30, 2007														
ASSETS:														
Cash and Investments	497,860	70.0%	Yes	Yes	E	-	A	V	6	3	3	6	3	4.2
Securities Lending Collateral	75,579	10.6%	Yes	No	E	C	A	V	6	6	3	3	1	3.8
Receivables, (net)	33,855	4.8%	No	No	E	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Due From Other Funds	4,930	0.7%	No	No	E	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Inventories	999	0.1%	No	No	E	-	A	V	N/A	N/A	N/A	N/A	N/A	N/A
Due from Other Governments	64,566	9.1%	Yes	Yes	E	-	-	-	3	5	2	6	3	3.8
Advances to Other Funds	3,921	0.6%	No	No	E	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Advances to Other Governments	3	0.0%	No	No	E	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Prepaid Items & Deposits	29,970	4.2%	Yes	Yes	E	-	-	V	2	5	1	1	2	2.2
Total Assets	711,683	100.0%												
LIABILITIES:														
Accounts Payable and Accrued Liabilities	40,785	14.8%	Yes	Yes	-	C	A	-	3	2	2	3	2	2.4
Securities Lending Collateral Obligation	75,579	27.4%	Yes	No	-	C	-	V	4	6	3	3	1	3.4
Due to Other Funds	4,786	1.7%	No	No	-	C	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Due to Other Governments	8,247	3.0%	No	No	-	C	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Deferred Revenue	52,197	18.9%	Yes	Yes	E	C	A	V	3	3	4	6	2	3.6
Deposits from Others	172	0.1%	No	No	E	C	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Interest Payable	2,659	1.0%	No	No	E	C	-	V	N/A	N/A	N/A	N/A	N/A	N/A
Advances from Other Funds	977	0.4%	No	No	E	C	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Tax and Revenue Anticipation Note	88,000	31.9%	Yes	No	-	C	A	V	4	5	1	1	1	2.4
Other Liabilities	2,492	0.9%	No	No	-	C	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Total Liabilities	275,874	100.0%												
FUND BALANCES:														
Reserved	153,261	35.2%	Yes	No	-	-	A	V	4	4	1	1	1	2.2
Unreserved	282,548	64.8%	Yes	No	-	-	A	V	4	4	3	4	1	3.2
Total Fund Balances:	435,809	100.0%												
Total Liabilities and Fund Balances:	711,683													

NOTES:
* Represents risk factor that can contribute to the misstatement of the financial statements. A quantitative measure is used to measure the potential impact of each risk factor on financial reporting objectives. Quantitative assessment of the impact of these risk factors, by account, performed by Auditor-Controller's office and County departmental management.

Low	Med	High
1	2	3
4	5	6

QUALITATIVE CHARACTERISTICS/RISKS										Related System CYCLES/ PROCESSES						
Sensitivity of Balance *	Importance of Oversight Agencies *	Knowledge of Past Errors *	Susceptibility to Loss Due to Errors *	Accounting and/or Disclosure Complexities *	Likelihood of Significant Contingent Liabilities Arising from Underlying Activities *	Changes in Account Characteristic *	OVERALL QUALITATIVE RATING *	Fraud Risk *	Significant Corresponding Cycles / Processes**	FAMIS	Megabyte	Buy speed	Cost Accounting System (CAS)	Permits Plus	Timesaver/GEAC	Singuard
5	2	1	3	3	1	1	2,3	4	A, B, C, D	x	x	x	x	x	x	x
5	1	1	1	4	3	1	2,3	2	D, E	x	x	x	x	x	x	x
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	C	x	x	x	x	x	x	x
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	C, E	x	x	x	x	x	x	x
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	B	x	x	x	x	x	x	x
4	3	1	4	1	2	1	2,3	4	C	x	x	x	x	x	x	x
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	B, C, E	x	x	x	x	x	x	x
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	B, C, E	x	x	x	x	x	x	x
1	1	1	1	2	2	2	1,4	1	B	x	x	x	x	x	x	x
2	1	1	1	1	1	1	1,1	1	B	x	x	x	x	x	x	x
1	1	1	1	4	1	1	1,4	1	D, E	x	x	x	x	x	x	x
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	B, C	x	x	x	x	x	x	x
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	B	x	x	x	x	x	x	x
4	2	1	2	1	1	1	1,7	2	B, C, E	x	x	x	x	x	x	x
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	C	x	x	x	x	x	x	x
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	B	x	x	x	x	x	x	x
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	B, C, E	x	x	x	x	x	x	x
1	3	1	1	2	3	1	1,7	1	B, E	x	x	x	x	x	x	x
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	B	x	x	x	x	x	x	x
1	1	1	1	2	1	1	1,1	1	E	x	x	x	x	x	x	x
2	1	1	1	2	1	1	1,3	1	E	x	x	x	x	x	x	x

** Processes/ Transaction Cycles

- A Hire-to-Pay
- B Procure-to-Pay
- C Order-to-cash (revenue)
- D Treasury & Investments
- E Financial Reporting



2007 Comprehensive Annual Financial Report (in Thousands)	AMOUNTS		SIGNIFICANCE			QUANTITATIVE CHARACTERISTICS / RISKS**								
	Governmental Funds Balance	Percentage of Governmental Funds Balance	Significant Component	Significant?	Reference	Completeness	Accuracy	Valuation	Materiality*	Degree of Volatility of Recorded Amount*	Subjectivity in Determining Account Balance*	Susceptibility to Loss or Fraud*	Complexity of Calculation*	OVERALL QUANTITATIVE RATING*
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES for the Fiscal Year Ended June 30, 2007														
REVENUES:														
Taxes	249,548	30.7%	Yes		E	-	A	V	6	3	1	3	1	3.2
Licenses, Permits and Franchise Fees	18,243	2.2%	No		E	C	A	V	N/A	N/A	N/A	N/A	N/A	N/A
Fees, Forfeitures and Penalties	11,922	1.5%	No		E	C	A	V	N/A	N/A	N/A	N/A	N/A	N/A
Use of Money and Property	30,102	3.7%	Yes		E	-	-	V	1	3	3	2	2	2.2
Intergovernmental	394,182	48.6%	Yes		E	-	A	V	6	5	2	6	2	4.2
Charges for Services	86,122	10.6%	Yes		E	C	A	V	2	3	2	6	2	3
Other	21,529	2.7%	Yes		E	-	-	V	1	3	2	2	1	1.8
Total Revenues	811,648	100.0%												
EXPENDITURES:														
Current:														
General Government	80,883	10.0%	Yes		-	C	A	-	6	2	1	2	1	2.4
Public Protections	242,533	30.0%	Yes		-	C	A	-	6	2	1	2	1	2.4
Public Ways and Facilities	27,942	3.5%	Yes		-	C	A	-	6	2	1	2	1	2.4
Health and Sanitation	121,099	15.0%	Yes		-	C	A	-	6	2	1	2	1	2.4
Public Assistance	186,830	23.1%	Yes		-	C	A	-	6	2	1	2	1	2.4
Education	15,651	1.9%	Yes		-	C	A	-	6	2	1	2	1	2.4
Recreation and Cultural Services	13,016	1.6%	Yes		-	C	A	-	6	2	1	2	1	2.4
Capital Outlay	65,132	8.1%	Yes		E	C	A	-	6	5	3	2	2	3.6
Debt Service:														
Principal	23,253	2.9%	Yes		E	C	A	-	2	4	1	1	1	1.8
Bond Issuance Cost	3,308	0.4%	Yes		E	C	A	V	1	4	1	1	1	1.6
Interest and Other	28,779	3.6%	Yes		-	C	-	V	2	4	1	1	1	1.8
Total Expenditures	808,335	100.0%												
Excess (Deficiency) of Revenues over (Under) Expenditures	3,313													
OTHER FINANCING SOURCES (USES):														
Transfers In	58,047	94.3%	Yes		-	-	A	-	3	4	1	1	1	2
Transfers Out	(63,268)	-26472.0%	Yes		-	-	A	-	3	4	1	1	1	2
Long-Term Debt Issuance	6,213	504.7%	No		E	C	-	V	N/A	N/A	N/A	N/A	N/A	N/A
Capital Lease Financing	239	19.4%	No		E	C	-	V	N/A	N/A	N/A	N/A	N/A	N/A
Total Other Financing Sources and Uses	1,231	524.1%												
NET CHANGE IN FUND BALANCES	4,544													
Fund Balances, Beginning of Year	431,265													
FUND BALANCES, END OF YEAR	435,809													

Notes:
* Represent risk factors that can contribute to the misstatement of the financial statements.
A quantitative measure is used to measure the potential impact of each risk factor on financial reporting objectives. Quantitative assessment of the impact of these risk factors by account performed by Auditor/Controller's office and County departmental management.

Low	Med	High
1	2	3
4	5	6

QUALITATIVE CHARACTERISTICS / RISKS**										Related System CYCLES/ PROCESSES							
Sensitivity of Program/ Balance *	Importance of Balance to Oversight Agencies *	Knowledge of Past Errors *	Susceptibility to Loss Due to Errors *	Accounting and/or Disclosure Complexities *	Likelihood of Significant Contingent Liabilities Arising from Underlying Activities *	Changes in Account Characteristics *	OVERALL QUALITATIVE RATING *	Fraud Risk*	Significant Corresponding Cycles/Processes	Related System CYCLES/ PROCESSES							
										FAMS	Megabyte	Buy speed	Cost Accounting System (CAS)	Permits Plus	Timesaver/CEAC	Guardian	
3	6	1	5	2	3	1	3.0	2	C, E	x	x						
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	C	x	x						
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	C	x	x						
5	3	1	2	1	2	1	2.1	2	C	x	x						
3	3	1	3	1	2	1	2.0	2	C, E	x	x						
2	2	1	3	1	1.6	1	1.6	3	C	x	x						
1	1	1	1	1	1	1	1.0	1	C	x	x						
2	3	1	2	1	2	1	1.7	2	A, B, E	x	x						
2	3	1	2	1	2	1	1.7	2	A, B, E	x	x						
3	3	1	2	1	2	1	1.7	2	A, B, E	x	x						
2	3	1	2	1	2	1	1.7	2	A, B, E	x	x						
2	3	1	2	1	2	1	1.7	2	A, B, E	x	x						
2	3	1	2	1	2	1	1.7	2	A, B, E	x	x						
2	3	1	2	1	2	1	1.7	2	A, B, E	x	x						
2	3	1	2	1	2	1	1.7	2	A, B, E	x	x						
2	3	1	2	1	2	1	1.7	2	A, B, E	x	x						
2	3	1	2	1	2	1	1.7	2	A, B, E	x	x						
1	3	1	1	3	1	1	1.6	1	B, E	x							
1	3	1	1	1	1.6	1	1.6	1	E	x							
1	3	1	1	3	1	1	1.6	1	B, E	x							
1	1	1	1	1	1	1	1.0	1	E	x							
1	1	1	1	1	1	1	1.0	1	E	x							
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	E	x							
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	E	x							

** Processes/ Transaction Cycles
A Hire-to-Pay
B Procure-to-Pay
C Order-to-cash (revenue)
D Treasury & Investments
E Financial Reporting



Note: The following Enterprise funds are included in this Risk Assessment Analysis: Refuse, Spud Point Marina, Community Hospital and Other Districts.

2007 Comprehensive Annual Financial Report (in Thousands)	AMOUNTS		SIGNIFICANCE				QUANTITATIVE CHARACTERISTICS / RISKS						OVERALL QUANTITATIVE RATING *
	Related Business Type Activities Balance	Percentage of Business Type Activities Balance	Significant Component	Significant?	Existence	Completeness	Accuracy	Valuation	Materiality*	Degree of Volatility of Recorded Amount *	Subjectivity in Determining Account Balance *	Susceptibility to Loss or Fraud *	
STATEMENT OF NET ASSETS, for the year ended June 30, 2007													
ASSETS:													
Current Assets													
Cash and Investments	35,611	89.7%	Yes	Yes	E	-	A	V	6	3	3	6	3
Receivables (net of allowance for doubtful accounts)	3,949	9.9%	Yes	No	E	-	-	V	1	3	2	6	3
Inventories	124	0.3%	No	No	E	-	A	V	N/A	N/A	N/A	N/A	N/A
Due from Other Governments	14	0.0%	No	No	E	-	-	-	N/A	N/A	N/A	N/A	N/A
Total Current Assets	39,698	100.0%											
Noncurrent Assets													
Restricted Cash & Investments	60	0.1%	Yes	Yes	E	-	A	V	6	3	3	6	3
Deferred Charges	214	0.4%	No	No	E	C	-	V	N/A	N/A	N/A	N/A	N/A
Capital Assets													
Nondepreciable	14,537	26.9%	Yes	Yes	E	C	-	V	6	1	1	2	2
Depreciable Net	30,238	71.6%	Yes	Yes	E	C	-	V	6	1	2	3	2
Total Noncurrent Assets	30,302	100.0%											
Total Assets	69,999												
LIABILITIES:													
Current Liabilities													
Accounts Payable and Accrued Liabilities	2,290	44.0%	Yes	Yes	-	C	A	-	1	2	2	3	2
Deferred Revenue	598	9.1%	No	No	E	C	A	V	N/A	N/A	N/A	N/A	N/A
Interest Payable	22	0.3%	No	No	E	C	-	V	N/A	N/A	N/A	N/A	N/A
Advances from Other Governments	2,000	30.5%	Yes	No	E	C	-	-	3	1	1	1	1
Landfill Closure and Post-Closure Costs	208	3.2%	Yes	Yes	-	C	A	V	6	6	5	5	6
Certificates of Participation, Net	1,190	18.1%	Yes	Yes	-	C	A	V	3	2	1	1	1
Capital Leases	249	3.8%	No	No	-	C	A	V	N/A	N/A	N/A	N/A	N/A
Current Liabilities Payable from Restricted Assets	63	0.0%	No	No	-	C	-	-	N/A	N/A	N/A	N/A	N/A
Total Current Liabilities	6,557	100.0%											
Noncurrent Liabilities													
Compensated Absences	463	0.4%	No	No	-	C	-	V	N/A	N/A	N/A	N/A	N/A
Advances from Other Governments	6,527	5.1%	Yes	No	E	C	-	-	3	1	1	1	1
Landfill Closure and Post-Closure Costs	105,145	82.8%	Yes	Yes	-	C	A	V	6	6	5	6	6
Certificates of Participation, Net	9,885	7.8%	Yes	Yes	-	C	A	V	3	2	1	1	1
Capital Leases	177	0.1%	No	No	-	C	A	V	N/A	N/A	N/A	N/A	N/A
Long-Term Post-Retirement Benefits	4,859	3.8%	Yes	Yes	-	C	-	V	2	1	1	1	1
Total Noncurrent Liabilities	127,056	100.0%											
Total Liabilities	133,613												
NET ASSETS:													
Invested in Capital Assets, Net of Related Debt	35,806	49.5%	Yes	Yes	-	-	A	V	6	4	1	1	1
Restricted	280	40.7%	Yes	Yes	-	-	A	V	1	1	1	1	1
Unrestricted	(26,096)	190.2%	Yes	Yes	-	-	A	V	6	4	4	4	4
Total Net Assets	(40,010)	100.0%											

Notes:
* Represent risk factors that can contribute to the misstatement of the financial statements. A quantitative measure is used to measure the potential impact of each risk factor on financial reporting objectives. Quantitative assessment of the impact of these risk factors by account performed by Auditor-Controller's office and County departmental management.

Low Med High
1 2 3 4 5 6

QUALITATIVE CHARACTERISTICS/RISKS										Related System CYCLES/ PROCESSES						
Sensitivity of Program/Balance *	Importance of Balance to Oversight Agencies **	Knowledge of Past Errors **	Susceptibility to Loss Due to Errors **	Accounting and/or Disclosure Complexities *	Likelihood of Significant Contingent Liabilities Arising from Underlying Activities *	Changes in Account Characteristic *	OVERALL QUALITATIVE RATING **	Fraud Risk*	Significant Corresponding Cycles/Processes**	FAMIS	Meigs/ite	Buy Speed	Cost Accounting System (CAS)	Permits Plus	Timesaver/GEAC	Support
5	2	1	3	3	1	1	2.3	4	A, B, C, D	X	X	X	X	X	X	X
3	1	1	3	1	1	1	1.6	3	C	X	X	X	X	X	X	X
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	N/A	B	X	X	X	X	X	X	X
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	N/A	C	X	X	X	X	X	X	X
5	2	1	3	3	1	1	2.3	4	A, B, C, D	X	X	X	X	X	X	X
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	N/A	B	X	X	X	X	X	X	X
2	4	6	2	1	1	1	2.7	3	B, E	X	X	X	X	X	X	X
2	4	6	2	3	1	1	2.7	3	B, E	X	X	X	X	X	X	X
2	1	1	1	1	1	1	1.1	1	B	X	X	X	X	X	X	X
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	N/A	B, C, E	X	X	X	X	X	X	X
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	N/A	B, C, E	X	X	X	X	X	X	X
1	3	1	1	2	1	1	1.4	1	B, C, E	X	X	X	X	X	X	X
6	6	4	2	3	5	1	3.9	5	B, E	X	X	X	X	X	X	X
1	1	1	1	2	1	1	1.1	1	B, E	X	X	X	X	X	X	X
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	N/A	B, E	X	X	X	X	X	X	X
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	N/A	B	X	X	X	X	X	X	X
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	N/A	B	X	X	X	X	X	X	X
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	N/A	A, E	X	X	X	X	X	X	X
1	3	1	1	2	1	1	1.4	1	B, C, E	X	X	X	X	X	X	X
6	6	4	2	3	5	1	3.9	5	B, E	X	X	X	X	X	X	X
1	1	1	1	2	1	1	1.1	1	B, E	X	X	X	X	X	X	X
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	N/A	B, E	X	X	X	X	X	X	X
1	1	1	1	1	1	1	1.0	3	A, E	X	X	X	X	X	X	X
1	1	1	1	1	1	1	1.1	1	E	X	X	X	X	X	X	X
1	1	1	1	2	1	1	1.1	1	E	X	X	X	X	X	X	X
2	2	1	1	1	1	1	1.3	1	E	X	X	X	X	X	X	X

** Process/ Transaction Cycles
A Hire-to-Pay
B Procure-to-Pay
C Order-to-cash (revenue)
D Treasury & Investments
E Financial Reporting



Note: The following Enterprise funds are included in this Risk Assessment Analysis: Retiree, Spauldine Marina, Community Hospital and Other Districts.

2007 Comprehensive Annual Financial Report (in Thousands)	AMOUNTS		SIGNIFICANCE			QUANTITATIVE CHARACTERISTICS/ RISKS						OVERALL QUANTITATIVE RATING *	
	Business-Type Fund Balance	Percentage of Business-Type Fund Balance	Significant Component	Significant?	Existence	Completeness	Assertions	Valuation	Materiality*	Degree of Volatility of Recorded Amount *	Subjectivity in Determining Account Balance *		Susceptibility to Loss or Fraud *
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS, for the Fiscal Year Ended June 30, 2007													
OPERATING REVENUES													
Charges for Services	31,810	85.7%	Yes	Yes	E	C	A	V	6	2	2	6	2
Fair Charges	488	1.3%	No	No	E	C	A	V	N/A	N/A	N/A	N/A	N/A
Rents and Concessions	325	0.9%	No	No	E	-	A	V	N/A	N/A	N/A	N/A	N/A
Salaries and Miscellaneous	5,176	14.1%	Yes	Yes	E	-	A	V	2	2	6	6	2
Total Operating Revenues	37,999	100.0%											
OPERATING EXPENSES													
Services and Supplies	37,331	80.7%	Yes	Yes	-	C	A	-	6	4	1	2	1
Salaries and Employees Benefits	5,077	12.8%	Yes	Yes	-	C	A	-	3	2	2	2	1
Depreciation and Amortization	3,010	6.5%	Yes	Yes	-	C	A	V	2	2	3	2	2
Total Operating Expenses	46,518	100.0%											
Operating Income (Loss)	(8,519)												
NON OPERATING REVENUES (EXPENSES)													
Investment Income	1,713	65.7%	Yes	Yes	-	C	A	V	1	2	3	2	2
Interest Expense	(6,684)	(25.6%)	Yes	No	-	C	A	V	1	2	1	1	1
Intergovernmental Revenue	747	28.6%	No	No	E	-	A	V	N/A	N/A	N/A	N/A	N/A
Miscellaneous	(367)	(14.1%)	Yes	No	E	C	-	-	1	2	2	2	1
Gain (Loss) on Disposal of Capital Assets	1,183	45.4%	No	No	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Total Nonoperating Revenues (Expenses)	2,608	100.0%											
Income (Loss) Before Contributions and Transfers	(5,911)												
Transfers In	2,010		Yes	No	-	-	A	-	2	4	1	1	1
Transfers Out	(711)		Yes	No	-	-	A	-	1	4	1	1	1
Special Item													
Forgiveness of Debt	7,753		Yes	No	-	-	A	V	3	1	1	1	1
Change in Net Assets	3,781												
Net Assets (Deficit), Beginning of Year	(15,709)												
NET ASSETS (DEFICIT), End of Year	(11,929)												

Notes:
* Represent risk factors that can contribute to the misstatement of the financial statements. A quantitative measure is used to measure the potential impact of each risk factor on financial reporting objectives. Quantitative assessment of the impact of these risk factors by account performed by Auditor-Controller's office and County departmental management.

Low | Med | High
1 | 2 | 3 | 4 | 5 | 6

QUALITATIVE CHARACTERISTICS/RISKS										Related System						
Sensitivity of Program/Balance *	Importance of Balance to Oversight Agencies *	Knowledge of Past Errors *	Susceptibility to Loss Due to Errors *	Accounting and/or Disclosure Complexities *	Likelihood of Significant Contingent Liabilities Arising from Underlying Activities *	Changes in Account Characteristic *	OVERALL QUALITATIVE RATING *	Fraud Risk **	Significant Corresponding Cycles/Processes**	FAMHS	MegaByte	Buy speed	System (CAS)	Permits Plus	Timover/GEAC	Sungard
3	1	1	3	1	1	1	1.6	3	C	X				X		
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	C	X				X		
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	C	X				X		
3	1	1	3	1	1	1	1.6	3	C	X						
2	1	1	2	1	1	1	1.3	2	B, E	X	X	X	X			
2	1	1	2	1	1	1	1.3	2	A, B, E	X						
2	4	6	2	2	1	1	2.6	1	E	X			X			
5	1	1	3	1	1	1	1.9	2	C	X						
1	1	1	1	1	1	1	1.0	1	B	X						
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	C, E	X						
1	1	1	1	1	1	1	1.0	2	C	X						
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	C, E	X						
1	1	1	1	1	1	1	1.0	1	E	X						
1	1	1	1	1	1	1	1.0	1	E	X						
1	1	1	1	2	1	1	1.1	1	E	X						

** Processes/Transaction Cycles

- A Hires-to-Pay
- B Procure-to-Pay
- C Order-to-cash (revenue)
- D Treasury & Investments
- E Financial Reporting



County of Sonoma
Documentation of Internal Control
Treasury and Investments

Overview

The responsibilities of the Treasury Division is to act as the County's bank as well under the authority delegated to the Auditor-Controller/Treasurer-Tax Collector and assigned to the Assistant County Treasurer by the Board of Supervisors to invest and reinvest all of the funds in the County Treasury Pool in accordance with California Government Code.

Treasury

Types of Receipts

- Cash Deposits
- Warrant Deposits
- Wire Transfers
- Check Deposits
- ACHs

Types of Cash Disbursements

- Wire Transfers

Bank Accounts

The County has bank accounts with Bank of America, Exchange Bank, Bank of the West and Bank of New York. Bank of America is used for all warrants issued from the Claims fund and the Securities fund. There are also other Bank of America accounts that individual departments use for depositing credit card payments that are processed by Bank of America Merchant Services. Exchange Bank is used for all Schools, County Payroll and Retirement warrant issuing accounts. Bank of the West is used for deposit of checks processed by the Treasury. Bank of New York is used for Investments. Note that the Auditor-Controller/Treasurer-Tax Collector is the signer on all warrants issued by the county. The superintendent of Schools is a dual signer on all warrants issued for the County School Districts. Auditor-Controller/Treasurer-Tax Collector, Assistant Treasurer, Treasury Manager and Assistant Tax Collector/Auditor are the signers on the majority of the Bank of America accounts. The General Services Risk Management Department has two Bank of America accounts that are administered by outside companies and the signers are employees of these companies. To open or close a bank account for the County of Sonoma the bank requires documentation signed by either the Auditor-Controller/Treasurer-Tax Collector or the Assistant Treasurer.

County of Sonoma
Documentation of Internal Control
Treasury and Investments (Continued)

The Treasury staff, Accounting Division staff and Human Services staff have access to Bank of America Direct (online banking). Human Services warrants are issued through Bank of America. The staff has access to Bank of America Direct to stop payments on-line as well as view cleared warrant information and view reports for their direct deposit account. The Treasury Manager and Assistant Treasurer are the administrators of Bank of America Direct and can set-up users in the system without contacting Bank of America. (Application Control 1) There are numerous types of access rights available in the Treasury Department and each staff member is only given access rights to the applications required for their job functions. All payment initiation access requires dual approval.

Accepting Deposits

The Treasury Division accepts deposit authorizations from all Pool Participants which include all County Departments, Schools Districts and Special Districts. All cash, checks, warrants, and in-bank deposits that are brought to the Treasury Division to deposit are accompanied by a "County Deposit Authorization" form which has been reviewed (verified that the receipt total agrees to the deposit total) and signed by a member of staff from the Accounting Division within the Auditor Controller-Treasurer-Tax Collector Offices. (Manual Control 1) The Cashier will only accept and process the deposit if the deposit form has been signed. The Cashier will count and verify that the cash, check and warrant totals match the totals listed on the deposit authorization - then sign the deposit form and keep one copy, give another copy back to the Depositee, and give a copy to the Accounting Division to record into FAMIS. (Manual Control 2) A copy of the Treasury Reconciliation Report is sent to the Accounting Division for balancing at the end of each day.

After a Cashier takes in cash, the Cashier will lock the cash in its drawer to which only the Cashier has access.

Processing Deposits

The Treasury Division utilizes the Sunguard Cashiering System, which does not interface with FAMIS, to process all deposits. The only individuals who have access to the Sunguard System are the 3 cashiers as well as the Assistant Treasurer and Treasury Manager. The cashier enters the information from each deposit authorization into the cashiering system. Each employee logs transactions into the Sunguard Cashiering System using their initials. Employees are able to log into the system without using a password. However the Sunguard cashiering system only accepts employee initials that are already entered in the system. (Application Control 2) If an employee forgets to record a transaction into the cashiering system or the Daily Bank Transactions Excel Spreadsheet, the daily processing which occurs at the end of the day will not balance. Refer to *Closing Process* below.

County of Sonoma
Documentation of Internal Control
Treasury and Investments (Continued)

Closing Process

At the end of each day, each Cashier will balance the cash, checks and warrants from their drawer to the Teller Cash Sheet report generated from the SunGuard Cashiering System. (Manual Control 3) There are four reports generated from SunGuard Cashiering System: 1. The *Transaction Recap Report* lists each deposit authorization by authorization number and includes the amount deposited into each fund as well as a total and the breakdown of cash, checks, warrants and in-banks. 2. The *Teller Cash Sheet Report* lists the total cash in each cashier's drawer and the total checks, warrants and in-banks received each day. This report also lists the vault cash and grand totals. 3. The *Portfolio Composition Report* includes the investment activity for the day as well as the total deposits and withdrawals. This report is used to balance to the SunGuard Portfolio Module and also as an overview of the day's activity. 4. *Treasury Reconciliation Report* is printed and used as a summary report of all deposits and disbursements received by all cashiers during the day. Once the Cashiers balance their drawers, they calculate the amount of cash needed for the following day and secure the remaining cash to the vault. It takes dual custody in order to access the vault at any given time. It requires two keys to open the vault and each staff in the department only have one key. (Manual Control 4) A carrier from Loomis comes twice a week to pick up the cash in the vault and deposit to Bank of America.

Staff from the Tax Collection Division gathers the checks and warrants deposited in order to encode each check and warrant and prepare the daily bank deposit. A report totaling all checks and warrants is provided to the Treasury from the staff in the Tax Collection Division, where a Treasury cashier balances this report to their Daily Teller Cash Sheets generated from the SunGuard Cashiering System. (Manual Control 5) A courier from the Records Management Department comes to pick up the checks and warrants for deposit and signs a log to indicate receipt of deposits. The courier delivers checks to Bank of America, Exchange Bank, and Bank of the West.

Reconciliation

On a daily basis, the Assistant Treasurer obtains a copy of the prior day Bank of America and Exchange Bank bank statements via online banking and reconciles the prior day amounts reported on the Daily Bank Transaction excel spreadsheet to the bank statement. (Manual Control 6) The Excel spreadsheet is used for entering the total of the warrants and checks deposited into the Treasury on the previous day as well as the total warrants cleared from the previous day. The spreadsheet also tracks all daily wire activity, ACH deposits, investment activity, and interest on investments.

General Ledger

The deposit authorization form, along with the supporting documentation is taken to the Auditor Controller's Accounting Division. The form is stamped with the sequential AU # and signed. (Manual Control 7) When the staff from Auditor Controller's Accounting Division stamps the form with the sequential AU #, the staff records the AU # and receipt total so the Claims Section can use the log for balancing at the end of the day. The stamped form is then taken to Treasury for deposit. Once treasury reviews the deposit intake with the deposit authorization form, the deposit authorization forms are initialed by Treasury and one copy is then taken back to the Claims Section within the Auditor Controller-Treasurer-Tax Collector's Office. The Claims Section will then post revenue/cash receipt to FAMIS. (Application Control 3) A copy of the Treasury Reconciliation Report is sent to the Accounting Division for balancing of the Treasury Report to FAMIS at the end of each day. (Manual Control 8)

Wire Transfers

When a department initiates a wire transfer, signed claim forms are sent to the Treasury Division and the Claims Section of the Auditor Controller's Accounting Division. Upon receipt of the wire transfer request, the Treasury Manager will input the wire into Bank of America Direct. (Application Control 1) Once the transfer request has been inputted into Bank of America Direct, a member of staff from the Claims Section will review the wire transfer to agree the information and amount to the copy of the request that they received and verify the fund balance prior to releasing the wire. (Manual Control 9) All wires are debited from the main Bank of America account.

Investments

Background

On an annual basis The Board of Supervisors delegates the authority to invest and reinvest all the funds in the County's Treasury to the Treasurer. Daily management responsibilities of the investments have been assigned to the Assistant Treasurer. The Treasury Manager acts as the back up Investment Officer in any instance that the Assistant Treasurer is not available. *The Sonoma County Statement of Investment Policy* lists the investment criteria as well as prohibited investments that the Assistant Treasurer abides by, and follows California Government Code Section 53601. On an annual basis, the County sends the broker/dealers and Bank of New York a copy of the Statement of Investment Policy.

Daily Process

On a daily basis, the Treasury staff prepares a worksheet that shows the expected wire transfers in and out, cash from investment maturities, cash from investments sold, State deposits and payroll direct deposits. This worksheet and the daily bank statements are used to determine the amount of cash available for investments. Once the amount available for investment is determined, the Assistant Treasurer works with different brokers for investing. The Assistant Treasurer keeps a daily log of all investment transactions. After the receipt and verification of the investment trade ticket from the broker, a notification is sent to Bank of New York (BONY) via on-line banking. BONY will reject the investments from the broker/dealer if it is different from the instructions sent by the County.

On a daily basis, the Treasury Manager will take the log and record the investments into the Sunguard Investments System using the Treasury Manager's username and password. (Application Control 4) In absence of the Assistant Treasurer, the Treasury Manager will invest and record the investments into Sunguard. When an investment is recorded into the Sunguard Portfolio module, the cusip number, par amount, principal amount, rate of return and etc. are documented into the system. Note: there are a few fields that are not required to post a transaction such as the CUSIP number or coupon rate. The missing data would be noticed when the report is balanced at the end of the week or at the end of the month when it is balanced to the BONY statement. The system will calculate the interests accordingly. The Sunguard Portfolio module calculates the interest for the Investment Pool. (Application Control 5) The broker/dealer mails a confirmation of each trade. In cases where the Treasury Manager invests and records investments into Sunguard, if any errors should occur, they will be caught during the monthly reconciliation.

Apportionment of Interest

The Sunguard Fund Accounting module allocates interest income to each fund quarterly based on the average daily balance in each fund to the average daily balance of all the funds. The Treasury Division e-mails the Interest Apportionment Report to the Accounting Division (claims section). Treasury Manager then prepares a journal voucher for posting to each fund, which is approved/signed by the Assistant Treasurer. (Manual Control 10) The Treasury Division prepares a JV to clear the apportioned interest from the interest clearing account.

Reconciliation

On a weekly basis, the Treasury Manager will balance the Sunguard Cashiering module Portfolio Composition Report to the Sunguard Portfolio module Investment Inventory Report to ensure that the correct data has been input into the systems. A tape is run of the total from the Portfolio Composition Report and from the Investment Inventory Report. The tape is initialed and kept until it is replaced the following week. (Manual Control 11). At the end of each month an Investment Inventory Report is printed and balanced to the *Portfolio Composition Report*. These reports are kept for 5 years. The Assistant Treasurer also communicates on a daily basis with Bank of New York in agreeing and reconciling the interest income reported in Sunguard to the amount received at the bank (Manual Control 12). On a monthly basis, a Cashier will review the monthly BONY investment report to the Sungard Investment Inventory Report.

The Treasury Division also sends a monthly *Investment Transaction Report* to the Board of Supervisor for review. There is a Treasury Oversight Committee that reviews the Quarterly Reports, Investments, and Investment Policy etc.

Recording FMV Adjustment to GL at Year-End

At fiscal year end, the Treasury Division provides the ACTTC Accounting Division with an Investment Inventory report and a SAFC report which is used as part of the cash reconciliation and note disclosure. Required by Generally Accepted Accounting Principles, the GASB31 report of the investment pool is used to calculate the GASB 31 gains or losses on investments. Historically, the County has not made the GASB 31 adjustment due to the adjustment amount being immaterial.

Internal Audit & Others

To ensure that controls are in place, Sonoma County's internal audit team performs monthly surprise cash counts of Treasurer Cashiers and the Vault. The internal audit team also performs an annual audit to determine if investments are within state mandate. During the investment compliance audit, the internal audit team sends out confirmations to validate investments. At the end of the audit, the Internal Auditor produces a report that is sent to the Board of Supervisors and Treasury Oversight Committee.



COUNTY OF SONOMA, CALIFORNIA

Treasury & Investments							CONTROL OBJECTIVES						Y/N						
Process	Control Objective	Risk	Control Considerations (Help Text)	Completeness	Existence	Accuracy	Valuation	Description of client control	Preventive	Detective	Automated	Manual	Duties are Segregated	Assets are Safeguarded	Transactions are Authorized	Transactions are Accurate, Complete,	Process of Control is Evidential		
Segregation of Duties	Cash management, investments and debt management functions are properly segregated	Unauthorized and fraudulent transactions can be recorded.	<ul style="list-style-type: none"> The following functions should be segregated <ul style="list-style-type: none"> Authorization of transactions Execution of transactions Recording of transactions 	Y	Y	Y	Y	<p>Cash: The Treasury Manager and Assistant Treasurer are the administrators of Bank of America Direct and can set-up users in the system without contacting Bank of America (Application Control 1) A staff from the Accounting Division within the Auditor Controller's office verifies receipt total to deposit total and stamps and initial the "Deposit Authorization Form" before the deposited takes the deposit to Treasury to process.</p> <p>Investments: The Assistant Treasurer and Treasury Manager are authorized to make all investment transactions</p> <p>Cash: All cash, checks, warrants, and in-bank deposits that are brought to the Treasury Division to deposit are accompanied by a "County Deposit Authorization" form which has been reviewed (verified that the receipt total agrees to the deposit total) and signed by a member of staff from the Accounting Division within the Auditor Controller-Treasurer-Tax Collector Offices (Manual Control 1) The Cashier will count and verify that the cash, check and warrant totals match the totals listed on the deposit authorization - then sign the deposit form and keep one copy, give another copy back to the Depositor, and give a copy to the Accounting Division to record into FAMIS (Manual Control 2)</p> <p>Investments: The Assistant Treasurer works with different brokers for investing. The Assistant Treasurer keeps a daily log of all investment transactions</p> <p>Cash: The cashier enters the information from each deposit authorization into the cashing system. Each employee logs transactions into the Sunguard Cashing System using their initials. Employees are able to log into the system without using a password. However the Sunguard cashing system only accepts employee initials that are already inputted in the system (Application Control 2)</p> <p>Investments: On a daily basis the Treasury Manager will take the log and record the investments into the Sunguard Investments System using the Treasury Manager's username and password (Application Control 4)</p>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

COUNTY OF SONOMA, CALIFORNIA



Treasury & Investments															
Process	Control Objective	Risk	Control Considerations (Help Text)	Completeness	Existence	Accuracy	Valuation	TYPE OF CONTROL						Y/N	
								Preventative	Detective	Automated	Manual	Duties are Segregated	Assets are Safeguarded		Transactions are Authorized
Segregation of Duties (Continued)	Cash management, investments and debt management functions are properly segregated (Continued)	Unauthorized and fraudulent transactions can be recorded (Continued)	<ul style="list-style-type: none"> Confirmations & reconciliations 	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
			<ul style="list-style-type: none"> Maintenance of master files & tables General ledger updates 	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
			Access rules adequately support segregation of duties	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Cash management, investments and debt management functions are properly segregated (Continued)	Unauthorized and fraudulent transactions can be recorded (Continued)		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

COUNTY OF SONOMA, CALIFORNIA



Treasury & Investments

Process	Control Objective	Risk	Control Considerations (Help Text)	Completeness	Existence	Accuracy	Valuation	Description of client control	TYPE OF CONTROL						CONTROL OBJECTIVES			Y/N
									Preventative	Detective	Automated	Manual	Duties are Segregated	Assets are Safeguarded	Transactions are Authorized	Transactions are Accurate, Complete,	Process of Controls is Evidential	
Master File Maintenance	Changes to the Master Files are properly authorized, accurate and recorded timely.	Unauthorized additions/changes can be made to the master files/tables	Access to treasury related systems is restricted to the appropriate and authorized individuals. Changes to authorization limit tables require approval. Edits and validation procedures prevent invalid data from entering the system. System reports of changes to master files are independently verified to the source documents. Management periodically reviews the Master File data.	✓	✓	✓	✓	Each employee logs transactions into the SunGuard Cashiering System using their initials. Employees are able to log into the system without using a password, however the system itself contains a list of employees who can access the SunGuard system. There are no authorization limits. All edits/changes to the Master file are reviewed by management every 6 months. The system does record the initials of the person that edits and makes changes. Cash: Assistant Treasurer performs daily bank reconciliations validating master file.	Preventative	Detective	Automated	Manual	Duties are Segregated	Assets are Safeguarded	Transactions are Authorized	Transactions are Accurate, Complete,	Process of Controls is Evidential	Y
	Changes to the Master Files are properly authorized, accurate and recorded timely (Continued)	Master file/citable information may not remain accurate		✓	✓	✓	✓	Investments: On a weekly basis, the Treasury Manager will balance the SunGuard Cashiering module Portfolio Composition Report to the SunGuard Portfolio module Investment Inventory Report to ensure that the correct data has been inputted into the systems. A tape is run of the total from the Portfolio Composition Report and from the Investment Inventory Report. The tape is initialed and kept until it is replaced the following week (Manual Control 11). The Assistant Treasurer also communicates on a daily basis with Bank of New York in agreeing and reconciling the interest income reported in SunGuard to the amount received in bank (Manual Control 12)	Preventative	Detective	Automated	Manual	Duties are Segregated	Assets are Safeguarded	Transactions are Authorized	Transactions are Accurate, Complete,	Process of Controls is Evidential	Y

COUNTY OF SONOMA, CALIFORNIA



Treasury & Investments																
Process	Control Objective	Risk	Control Considerations (Help Text)	Completeness	Existence	Accuracy	Valuation	Description of client control	TYPE OF CONTROL			CONTROL OBJECTIVES			Y/N	
									Preventative	Detective	Automated	Manual	Duties are Segregated	Assets are Seguarded		Transactions are Authorized
Cash Management & Liquidity	Only authorized valid cash transactions are recorded completely, accurately, and in the proper period	Invalid cash transactions can be processed. (Checks, wire transfers etc.)	Cash transactions are reviewed and approved by an appropriate and authorized individual.	✓	✓	✓	✓	The Cashier will count and verify that the cash, check and warrant totals match the totals listed on the deposit authorization - then sign the deposit form and keep one copy, give another copy back to the Depositor, and give a copy to the Accounting Division to record into FAMIS. (Manual Control 2)	✓					✓	Y	
			Authorization limits are established and approved by an appropriate and authorized individual.	✓	✓	✓	✓	✓	There are no limits to the amount of a single deposit transaction that a cashier can accept.	✓						✓
	The ability to execute cash related transactions should be limited to authorized individuals	Unauthorized transactions may occur	Cash transactions are reviewed and approved by an appropriate and authorized individual prior to posting to the general ledger.	✓	✓	✓	✓	Once treasury reviews the deposit intake with the deposit authorization form, the deposit authorization form is initiated by Treasury then taken back to the claim's division within the Auditor Controller's Office. Claims will then sign off on the deposit authorization and post revenue/cash receipt to FAMIS. (Manual Control 6)	✓						✓	Y
			The authority to open, change or close bank accounts is restricted to the appropriate and authorized individuals	✓	✓	✓	✓	To open, change or close bank accounts for the County of Sonoma, the Bank would require documentation authorized by either Rod Dolc - Auditor controller or Robert Boitano - Assistant County Treasurer.	✓							✓
	Wire Transferring authority is restricted to the appropriate and authorized individuals	Wire transfer limits are established and authorized	Access to cash management systems is restricted to appropriate and authorized individuals	✓	✓	✓	✓	The only individuals who have access to the SunGuard System are the 2 cashiers as well as the Assistant Controller and Treasury Manager. (Application Control 2)	✓						✓	N
			Wire Transferring authority is restricted to the appropriate and authorized individuals	✓	✓	✓	✓	The Assistant Treasurer can give payment initiation access and then the Treasury Manager must approve it or vice versa. Bank of America has controls in place whereas someone cannot initiate and approve/release a wire. (Application Control 1)	✓						✓	N



Treasury & Investments																					
Process	Control Objective	Risk	Control Considerations (Help Text)	Completeness	Existence	Accuracy	Valuation	TYPE OF CONTROL						Y/N							
								Preventative	Detective	Automated	Manual	Duties are Segregated	Assets are Safeguarded		Transactions are Authorized	Transactions are Accurate, Complete,	Process of Controls is Evidential				
Cash Management & Liquidity (Continued)		Unauthorized overrides may occur	The Cash management system prevents the processing of transactions that exceed an individual's assigned authorization level. Additional approvals are required to process transactions in excess of established dollar limits and/or individual authorization limits.																		
		The ability to execute wire transfer transactions should be limited to authorized individuals	Access to process wire transfers is restricted to the appropriate and authorized individuals. Separate individuals must initiate and approve each transaction.	✓	✓																
			System authorization limits are assigned to individuals responsible for approving wire transfers. The wire transfer system prevents the processing of transactions that exceed an individual's assigned authorization level. Additional approvals are required to process transactions in excess of established dollar limits and/or individual authorization limits.																		
Physical Safeguards		Negotiable instruments may be subject to improper use or theft.	Access to negotiable instruments is restricted to only authorized individuals.	✓																	
		Adequate physical controls over negotiable instruments are maintained.	A counter from the Records Management Department comes to pick up the checks and warrants for deposit and signs a log to indicate receipt of deposits. Cashiers' drawers are locked with their own sets of keys. Each cashier is responsible for ensuring that their cash drawers are locked at all times.	✓	✓																



COUNTY OF SONOMA, CALIFORNIA

Treasury & Investments							CONTROL OBJECTIVES				Y/N					
Process	Control Objective	Risk	Control Considerations (Help Text)	Completeness	Existence	Accuracy	Valuation	Description of client control	Preventative	Detective	Automated	Manual	Assets are Safeguarded	Transactions are Authorized	Transactions are Accurate, Complete,	Evidential
Investments	Only authorized valid investment transactions are recorded completely, accurately and in the proper period.	Invalid investment transactions can be processed.	Investment transactions are reviewed and approved by appropriate and authorized individual(s). Authorization limits are established and approved by appropriate and authorized individual(s).	✓	✓	✓	✓	A monthly Investment Transaction Report is sent to the Board of Supervisor to review. There is also a Treasury Oversight Committee that reviews the Quarterly Reports, investments, and Investment Policy etc. There are no assigned limits.	✓				✓	✓	✓	
		Investment transactions are not recorded accurately and completely in the correct period.	Investment transaction confirmations are reviewed and approved by appropriate and authorized individual(s) prior to posting to the general ledger	✓	✓	✓	✓	The Investment Officers do not record investment transactions into the Sunguard Investment System until receipt of confirmation.								
	The ability to execute investment transactions should be limited to authorized individuals.	Unauthorized transactions may occur.	The authority to open, change or close investment accounts is restricted to the appropriate and authorized individuals. The authority to conduct investment transactions is restricted to the appropriate and authorized individuals. Appropriate authorization limits are assigned to individuals responsible for initiating investment transactions.	✓	✓			The only individuals who have access to investment accounts are the Assistant Controller and Treasury Manager. (Application Control 2) The only individuals who have access to investment accounts are the Assistant Controller and Treasury Manager. Investment transactions are monitored in the Sunguard Investment System in which only the Assistant Controller and Treasury Manager have user names and passwords to access the system. There are no assigned limits.	✓		✓		✓	✓		Y



Treasury & Investments		TYPE OF CONTROL							CONTROL OBJECTIVES					Y/N				
Process	Control Objective	Risk	Control Considerations (Help Text)	Completeness	Existence	Accuracy	Valuation	Description of client control	Preventative	Detective	Automated	Manual	Duties are Segregated	Assets are Safeguarded	Transactions are Authorized	Transactions are Accurate, Complete,	Process of Control is Evidential	
Investments (Continued)		Unauthorized overrides may occur.	The investment management system prevent the processing of transactions that exceed an individual's assigned authorization level. Additional approvals are required to process transactions in excess of established dollar limits and/or individual authorization limits.					There are no assigned limits.										
Financial Reporting & Monitoring	Postings to the general ledger are recorded accurately, and in the correct period.	Treasury related transactions may not be recorded in the proper period.	The general ledger accounts are reconciled to third party statements or other support on a timely basis for cash, investment and debt transactions.					The Deposit authorization form, along with the supporting documentation is taken to the Auditor Controller's Accounting Division. The form is stamped with the sequential AU # and signed (Manual Control 7) When interest income is apportioned to the various county funds, the Accounting Manager prepares the journal voucher for the income apportionment and the Assistant Treasurer approves the voucher (Manual Control 10) At the end of each day, a copy of the Treasury Reconciliation Report is sent to the Accounting Division for balancing at the end of each day. Bank reconciliations are performed daily.										
		Financial statements can be misstated.	Management reports detailing investment activity are reviewed and approved by the appropriate level of management.					The Treasury Division sends monthly Investment Transaction Reports to the Board of Supervisors for review.										
		Activity may be improperly	Inter-company balances are reconciled and reviewed monthly. Management reports detailing investment activities are reviewed and approved by the appropriate level of management.					Reconciliations are performed daily and reviewed on a bi-weekly basis.										
								There is a Treasury Oversight Committee that reviews and approves the Quarterly Reports, Investments, Investment Policy, etc.										



360 FAIR LANE
PLACERVILLE, CA 95667
(530) 621-5803

March 25, 2010

Senate Local Government Committee
c/o Brian Weinberger, Consultant
State Capitol, Room 5046
Sacramento, CA 95814

Dear Brian,

Thank you for the opportunity to comment upon the notion of the legislature changing the statues that require a **vote of the people** before a County Board of Supervisors may combine the elective offices of Auditor/Controller with Treasurer – Tax Collector or eliminate the elective offices by creating an appointed Director of Finance reporting to the CAO office.


I believe it is in the best interest of our citizens to maintain a separate elected Treasurer – Tax Collector and a separate elected Auditor/Controller. Some of the reasons are as follows:

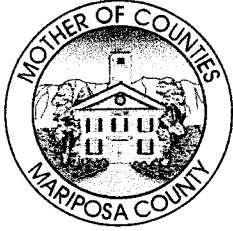
- First, financial prudence requires a solid wall of **internal controls** between the two offices.
- Second, maintaining the elective nature of both offices maintains **responsiveness to the citizens**.
- Third, the doctrine of incompatible offices should be upheld as intended by law and never abrogated.

RECOMMENDATION:

- Eliminate any reference to future combination of offices without a vote of the people.
- Prescribe that all future combinations of the aforementioned offices be incompatible.

It was an honor and a privilege to participate in this process. Thanking you in advance, for listening.


C. L. Raffety, CPA, MBA
Treasurer – Tax Collector
El Dorado County



Keith M. Williams
Treasurer – Tax Collector and
County Clerk

Treasurer (209) 966-2830 - Tax Collector (209) 966-2621 - County Clerk / Registrar of Voters (209) 966-2007 - Fax (209) 966-6496

March 26, 2010

To: California Senate Local Government Committee

For: Incompatible Consolidation of Treasurer and Auditor Code Recommendations for Prudence
and Economy: Rethinking State Limits on County Offices

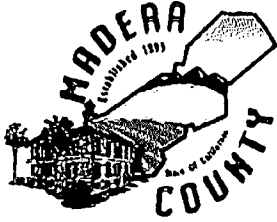
After speaking to the committee on March 17, 2010, I would like to again state my opposition to any changes to Government Code § 24000 - 24308 that would allow a County Board of Supervisors to eliminate elected positions or combine incompatible offices.

I feel that the public should always have the final say on how their local government is structured and would strongly recommend that the power not be granted to a Board of Supervisors. Often these types of decisions are based on personalities or the desire for more compensation by an official. By limiting these powers, the Legislature can ensure that only offices that truly fit together would be combined.

I would also like to state my support for the letter provided by Merced County Treasurer – Tax Collector – County Clerk, Karen Adams. I feel that she properly lists the changes that should be made to Government Code § 24000 – 24308.

Sincerely,

Keith M. Williams
Treasurer – Tax Collector &
County Clerk



COUNTY OF MADERA
OFFICE OF THE TREASURER/TAX COLLECTOR
TRACY KENNEDY DESMOND
200 W. Fourth Street, 2nd Floor, Madera, CA 93637
Telephone: (559) 675-7713 Fax: (559) 673-0262
e-mail: treasurer@madera-county.com

March 24, 2010

Mr. Brian E. Weinberger
Consultant to Senate Committee on Local Government
Honorable Dave Cox – Chair

RE: Prudence and Economy: Rethinking State Limits on County Offices

Dear Mr. Weinberger;

Thank you for allowing me and several of my colleagues the opportunity to speak at the hearing on March 17, 2010. I feel very strongly about defending my constituents' ability to access their elected officials and it was very exciting to be a part of the process.

I have included for your reference a written copy of my comments from the hearing that day after further consideration, I would like to respectfully add the following:

We need to seize this opportunity to strengthen our laws and protect our voters. By coordinating this hearing you have brought to light some existing defects in the statutes and for that you should be commended.

Going forward "consolidating offices" in and of itself does not equate to "saving money" and we should not assume that it does. That will only be proven in time. Combining offices reduces the number of elected officials representing a county, thus reducing the electorate's right to choose. That we know for sure, and do not have to wait for generations to see the proof. Once those elected officials have been replaced or reduced there is a shift of power that may never be undone.

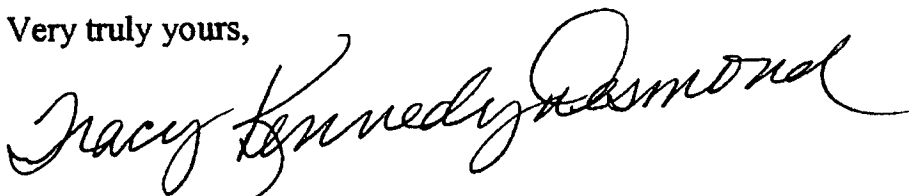
I'm also not sure if any economic benefit will be gained if the State Legislature makes it easier for counties to consolidate offices, particularly incompatible offices. Rather, it could set up counties for fiscal failure by creating super agencies that limit qualified candidates for seeking those positions in the future.

If consolidating offices were truly only for economic purposes, then why not reduce all Elected Officials of a county into one? No Board of Supervisor's, no District Attorney, No Auditor-Controller, No Sheriff, No County Clerk and No Treasurer-Tax Collectors, just one, THE COUNTY ELECTED OFFICIAL. Would combining all of these offices into one office provide the savings for a County that is hoped for? I think not.

Basic Accounting fundamentals speak to internal controls and the need for separation of duties. I submit to you that in these times of declining staffing due to budget shortfalls, furloughs and layoffs, complying with separation of duties in separate departments will be challenging enough without complicating that requirement by trying to maintain segregation of duties when a Super Agency is created.

Again, thank you for providing this opportunity to express my concerns. I would encourage you to strongly urge the committee to repeal section 24300.5 of the Government Code.

Very truly yours,

A handwritten signature in black ink that reads "Tracy Kennedy Desmond". The signature is written in a cursive, flowing style with a long, sweeping tail on the "D".

Tracy Kennedy Desmond
Treasurer Tax Collector
Serving Madera County since 1991

Enc: Written copy of comments from March 17, 2010

Testimony Senate Committee on Local Government – March 17, 2010

HELLO MY NAME IS Tracy Kennedy Desmond. I'm the duly elected Madera County Treasurer-Tax Collector. I was first elected in 1990, and took office in 1991. I have served THE GOOD PEOPLE OF Madera County in all for over 22 years and feel that I have done a good job for the people I serve.

Understanding one size does not fit all It is my position that this office should remain both elected and intact as only the Treasurer-Tax Collector and not combined with the Auditor Controller, or another County Elected Official.

I would submit to you to restrict combinations and restrict conversion to Appointed status.

Last year my county went through this exact discussion. The Board wanted to gain control of the Auditor's office upon his retirement by making it appointed. Although the Brown Act does exist we were blindsided week after week with items put on the Board Agenda with only a week's notice for us to do research and make presentations when County Counsel had weeks and staff to work on this project.

I'm proud to say our Board ultimately made the right decision and kept our Auditor Controller elected. The system Worked !

Combining offices that have statutorily been separate seems to me to be a slippery slope to making those offices Appointed in the future , thus giving the Governing board more and more power. These combinations and / or attempts to make Elected Officials Appointed Department Heads are usually done at 'opportunistic times' when the officeholders are retiring. The timing of these attempts suggests to me that the position which was valuable and was necessary as a separate and independent elected office is now being postured for a final takeover as an appointed department head or as a combined super agency giving ultimate control to 1 body.

Even if this is not the intent of the Board and CAO's at the time of combination Looking forward they are limiting their options in the future for filling the super agencies they are creating. Thus gaining more and more control and removing the choice from the voters.

The fact that we answer to a greater body of our constituents than the board does individually allows us autonomy and gives us a Voice, it gives us an opportunity to tell the truth without worry of undue political pressures.

As an elected official . You can play it straight and fulfill the spirit of public service and Be effective. It is my sincerest hope that this committee will understand the complexities of our offices and the intentions of our predecessors for these offices to remain, Not Combined, Independent , County Wide, Elected Officials.

Thank you.



Jackie Denney
Treasurer and Tax Collector
Jordan Kaufman
Assistant Treasurer and Tax Collector

March 26, 2010

TO: California Senate Local Government Committee

FROM: Jackie Denney on behalf of the following California County
Treasurer-Tax Collectors and Auditor-Controllers United Against
Consolidations of Incompatible Offices

FOR: Incompatible Consolidation of Treasurer and Auditor Code
Recommendations for Prudence and Economy: Rethinking State
Limits on County Offices

We the undersigned Treasurer-Tax Collectors and Auditor-Controllers support the position taken by Karen Adams, Merced County Treasurer-Tax Collector-Clerk, as stated in her attached response to you dated March 23, 2010. We concur with her recommendations to revise the current Government Code addressing the incompatible consolidation of Treasurer and Auditor and her position to maintain the elected status of all elected offices including Treasurer and Auditor.

Treasurer-Tax Collectors

1. Carol McElroy, Alpine County Treasurer-Tax Collector-Recorder
2. Michael E. Ryan, Amador County Treasurer-Tax Collector
3. C. Linda Barnes, Butte County Treasurer-Tax Collector
4. Lynette Norfolk, Calaveras County Treasurer-Tax Collector
5. William J. Pollacek, Contra Costa County Treasurer-Tax Collector-Public Administrator
6. Dawn Langston, Del Norte County Treasurer-Tax Collector
7. Cherie L. Raffety, El Dorado County Treasurer-Tax Collector
8. Stephen A. Strawn, Humboldt County Treasurer-Tax Collector

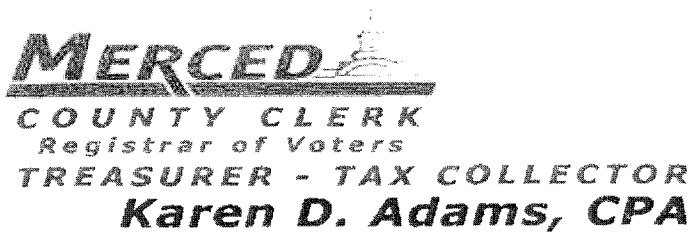
9. Karen D. Vogel, Imperial County Treasurer-Tax Collector
10. Jackie Denney, Kern County Treasurer-Tax Collector
11. Sandra Kacharos, Lake County Treasurer-Tax Collector
12. Tracy Kennedy, Madera County Treasurer-Tax Collector
13. Keith Williams, Mariposa County Treasurer-Tax Collector-Clerk-Registrar
14. Shari L. Schapmire, Mendocino County Treasurer-Tax Collector
15. Karen Adams, Merced County Treasurer-Tax Collector -Clerk
16. Cheryl Knoch, Modoc County Treasurer-Tax Collector
17. Tamie R. Frasier, Napa County Treasurer-Tax Collector
18. Susan T. Bryant-Grant, Plumas County Treasurer-Tax Collector- Collections Administrator
19. Mary Lou Andrade, San Benito County Treasurer-Tax Collector-Public Administrator
20. Dan McAllister, San Diego County Treasurer-Tax Collector
21. Shabbir A. Khan, San Joaquin County Treasurer-Tax Collector
22. Lee Buffington, San Mateo County Treasurer-Tax Collector
23. Bernice James, Santa Barbara County Treasurer-Tax Collector -Public Administrator
24. Lori Scott, Shasta County Treasurer-Tax Collector-Public Administrator
25. Stephanie Levings, Sierra County Treasurer-Tax Collector
26. Wayne Hammar, Siskiyou County Treasurer-Tax Collector
27. Charles Lomeli, Solano County Treasurer-Tax Collector
28. Gordon B. Ford, Stanislaus County Treasurer-Tax Collector
29. Steve L. Harrah, Sutter County Treasurer-Tax Collector
30. Lawrence L. Matheney, Ventura County Treasurer-Tax Collector
31. Dan Mierzwa, Yuba County Treasurer-Tax Collector

Auditor-Controllers

1. David A. Houser, Butte County Auditor-Controller
2. Lisa Cardella-Presto, Merced County Auditor-Controller
3. Michael J. Giacone, Humboldt County Auditor-Controller
4. Ann K. Barnett, Kern County Auditor-Controller-Clerk
5. Pam Cochrane, Lake County Auditor-Controller
6. Adrian Van Houten, San Joaquin County Auditor-Controller
7. Larry Haugh, Stanislaus County Auditor-Controller

Retired Treasurer-Tax Collector

1. Donna Yarnell, Retired Imperial County Treasurer-Tax Collector
2. Phil Franey, Retired Kern County Treasurer-Tax Collector
3. John R. Doty, Retired Kern County Treasurer-Tax Collector
4. Cynthia A. Ellsmore, Retired Sierra County Treasurer-Tax Collector
5. Jacque C. Williams, Retired Shasta County Treasurer-Tax Collector
6. Susan K. Reather, Retired Siskiyou County Treasurer-Tax Collector
7. Tom Watson, Former Stanislaus County Treasurer-Tax Collector
8. Jim Stevens, Retired Sutter County Treasurer –Tax Collector
9. Lynda Hymas, Retired Trinity County Treasurer-Tax Collector



Karen D. Adams, CPA
Treasurer-Tax Collector-Clerk

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March 23, 2010

TO: California Senate Local Government Committee

FOR: Incompatible Consolidation of Treasurer and Auditor Code
Recommendations for Prudence and Economy: Rethinking State
Limits on County Offices

Thank you again for the opportunity to testify during your committee meeting on March 17, 2010. In addition to my responses to your outlined questions I previously submitted; please find my recommendations for revising the current code specifically addressing the incompatible consolidation of Treasurer and Auditor.

- ✓ Keep intact the Government Code § 24000 list of acceptable consolidations which does not permit the consolidation of Treasurer and Auditor. Maintain the elected status of all elected offices including both Treasurer-Tax Collector and Auditor-Controller.

In some cases a consolidation may be practical and benefit the citizens if no "incompatibility of authority" exists. Clearly the Auditor and Treasurer are not compatible and a clash of duties does so exist. California legislature recognizes the incompatibility and dictates that if the dual office holding would be improper "A person who assumes the duties of a second, incompatible office automatically vacates the first office". Therefore the consolidation of Auditor with Treasurer would cause the Auditor to vacate his Auditor status to legally accept the Treasurer authority or vice versa.

Good governance can only be accomplished with a separation of the Treasurer and Auditor authority along with all other incompatible offices. The doctrine of incompatible offices should be upheld as intended by law and never abrogated.

- ✓ Insert “compatible” in Government Code § 24300, “By ordinance the board of supervisors may consolidate the duties of certain of the [compatible] county offices in one or more of these combinations:...”. As mentioned in Government Code § 24000, the Treasurer and Auditor are not listed as permissible offices for consolidation under Government Code § 24300. Keep intact the list of office combinations for the board of supervisors to enact by ordinance.
- ✓ Eliminate the contradiction between Government Code § 24300.5 and 24300 to cease the opportunity for consolidations of auditor, treasurer, and director of finance. Lack of uniformity erodes the intent of the law over time. Clearly legislation recognized the clash of duties that exist between Treasurer and Auditor when excluding the offices on the list of acceptable consolidations. Eliminate the inconsistencies in the present law that does not uphold the common law incompatibility doctrine adopted by the Legislature in 2005.
- ✓ Eliminate any future privileges in Government Code § 24304.2 and 24300.5 to the counties seeking to abrogate the incompatibility doctrine recognized in both Government Code § 24000 and 24300 that granted Sonoma and Tulare counties permission to consolidate the offices of Treasurer and Auditor. Currently the ten counties that have consolidated will be exempt from the elimination of this privilege to consolidate and I defer to the committee on defining the proper remedy.
- ✓ Eliminate the exceptions made to counties based on county population, size, region, or any other characteristic provided in Government Code § 24304.1, 24305, 24306, 24306.5, 24307 and 24308. Charter counties are defined by the charter adopted by their voters and requires no mention. Legislation should not provide

guidance when considering all the regional characteristics that uniquely define a county.

It is my hope that the committee provides legislation that will prevent any future consolidations of incompatible offices with focus on the financial aspects of Treasurer and Auditor. I am honored to have been granted this opportunity to participate in the process.

Genuinely,

A handwritten signature in cursive script, appearing to read "Karen D. Adams". The signature is written in black ink and is positioned above the typed name.

Karen D. Adams, CPA
Treasurer-Tax Collector-Clerk

Weinberger, Brian

From: Wayne Hammar [whammar@co.siskiyou.ca.us]
Sent: Friday, March 26, 2010 4:37 PM
To: Weinberger, Brian
Subject: Response to "Rethinking State Limits on County Offices" hearing

To the Honorable Members of the California Senate Local Government Committee:

My name is Wayne Hammar, and I am the elected Treasurer-Tax Collector for the County of Siskiyou. I am emailing you because I am adamantly opposed to the ideas of combining the incompatible County offices of Treasurer-Tax Collector and Auditor-Controller, and the possibility of allowing the combined and/or individual department head(s) to become appointed officers. The reasons, which I'm sure you have heard, are many, but from my personal perspective as a small County Treasurer-Tax Collector, the main reasons are as follows:

Treasurer-Tax Collector Combination Issues:

The Treasurer-Tax Collector and Auditor-Controller are County offices that require significant checks and balances to ensure the safety of public funds. In addition to their individual departmental checks and balances, these two offices have oversight on each other's duties to minimize the probability of the loss of public funds. In a small County, with confined work spaces and small staffs, combining these two offices with oversight duties over each other provides the opportunity for employees to collude and embezzle funds from the County. In a large County, where both departmental facilities and staffs are larger, there may be the ability to effectively separate sensitive employees and their duties from each other, but this is not practical, or even possible, in a small County like mine. These combination issues are usually initiated by CAO's who are looking at potential costs savings, but the reality is that the savings, if any, are usually small, and can be completely wiped out by a single act of embezzlement.

Examples of Incompatible Duties between Treasurer-Tax Collector (TTC) & Auditor-Controller (AC):

1. The office that deposits County funds (TTC) should not be the same office that accounts for the County funds (AC).
2. The office that issues the County warrants (AC) should not be the same office that reconciles the cleared County warrants (TTC).
3. The office that authorizes wires & payments (AC) should not be the same office that processes the wires or electronic payments (TTC).
4. The office that puts the property tax information on the tax bills (AC) should not be the same office that actually collects the property tax dollars (TTC).
5. The office that processes property tax bill corrections (AC) should not be the same office that collects the property tax dollars (TTC).
6. The office that processes property tax refunds (TTC) should not be the same office that issues the property tax refunds (AC).

Although these are just a few of the issues dealing with the safety of public funds between the incompatible offices, I'm sure you get the idea that I am attempting to relate, which is that it is extremely dangerous to put two employees whose duties have oversight over each other in the same office, especially in a small County with limited staffing options.

Issues Pertaining to Changing Elected Offices to Appointed Offices:

The idea of making either of these two offices appointed, as opposed to elected, is also problematic for several reasons, a few of which I will mention here:

1. In my experience as Treasurer-Tax Collector, I have had members of the Board of Supervisors, and other high-

ranking County officials, fail to make their property tax payments on time. As an elected official, I was able to tell the offending County officer that I am sworn to uphold the law and could not waive their penalties, without having to worry about being pressured or retaliated against. As an appointed official, I am not so sure that I would have the same level of independence.

2. In addition, past Board members have asked me to use local banks for County deposits and a local investment broker, who happened to be a friend of this Board member, for County investments. Again, as an elected official, I was able to explain to the Board member that I am a countywide elected official and that it is inappropriate to ask me to consider using these local businesses, especially when they cannot provide the level of service and expertise my office needs for these services.
3. Finally, I believe that in this political climate, the public is already mistrustful of government, and the thought of taking away the decision-making process from the public by making an elected public official appointed will create an even higher level of mistrust by the public.

As I'm sure you can tell by the reasons that I have stated above, I am definitely opposed to the combination of the incompatible offices of Treasurer-Tax Collector and Auditor-Controller, and I believe that as elected officials, we are better able to maintain independence and more effectively serve the constituents of our Counties.

In closing, I would like to thank the committee for allowing my colleagues and me the opportunity to present our views on this important issue, and I would urge them to oppose both the combination of these two incompatible County offices and the idea of making them appointed officials.

Sincerely and respectfully,

Wayne Hammar
Siskiyou County
Treasurer-Tax Collector



County of Yolo

www.yolocounty.org

HOWARD H. NEWENS, CIA, CPA

AUDITOR-CONTROLLER and
TREASURER-TAX COLLECTOR

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FAX: (530) 666-8708

March 25, 2010

Brian Weinberger, Consultant
Senate Local Government Committee
California State Capitol

Via e-mail: brian.weinberger@sen.ca.gov

Dear Mr. Weinberger:

Comments on Prudence and Economy: Rethinking State Limits on County Offices

Following invitation by Peterson Consulting, I am submitting these brief comments based on my thirty two years of experience in county government with eight of them in the capacity of an elected department head. I have served as the elected auditor-controller and treasurer tax-collector in Yolo County since January 2007.

The combination of the auditor-controller's office and the treasurer tax-collector's office in Yolo County went smoothly and resulted in many efficiencies that are of continuing benefit to the county. Proper separation of duties was easily accomplished through organizational means and administrative procedures.

The common law rule that prohibits individuals from holding incompatible offices and that is codified as Government Code section 1099 has lost its relevance in the modern office environment. Technological advancement has greatly modified the organizational landscape in the past hundred years. Interpersonal relations in the workplace are gradually shifting from a hierarchical structure to a network structure.

As a simple example, in the past, the auditor, the recorder, the assessor and the tax-collector may be four different individuals who maintain different records in their separate departments; nowadays in a large county, these same individuals can work from information that is contained in one central network of information on real estates in the county. The necessary segregation of duties can be accomplished through different security and access levels in the network, irrespective of who the department heads are. The four department heads could be consolidated to simplify management and improve efficiency.

The above example is but a simple illustration of how a law that is based on a snapshot of how things worked in the past is no longer relevant because of the technology-driven changes in the workplace. Therefore, I would like to submit the recommendation that the legislature re-examine the law on incompatible duties encoded in section 1099 in the context of the modern work environment and consider eliminating this statutory

March 25, 2010

Page 2 of 2

requirement since its purpose can easily be accomplished by administrative policies and procedures. At the least, I urge the legislature to simplify the provisions related to county offices consolidation (Government Code section 24000 et seq.) to allow maximum flexibility at the county government level.

I appreciate the opportunity to comment and wish you well in this important undertaking.

Sincerely,

A handwritten signature in cursive script that reads "Howard Newens".

Howard Newens, C.I.A., C.P.A.

Auditor-Controller and
Treasurer-Tax Collector

TREASURER AND TAX COLLECTOR
COUNTY OF HUMBOLDT
825 FIFTH STREET
EUREKA, CALIFORNIA 95501 PHONE [707] 476-2450

March 25, 2010

California Senate Local Government Committee

Subject: Comments on Consolidation/Elective/Appointive County Offices

I have served Humboldt County as the elected Treasurer-Tax Collector for more than 37 years, and am the longest serving person in California for this office. For three years I accepted the additional duties of elected County Recorder to fulfill an unexpired term. My experience may be of help in offering perspective to your decision. My background includes a B.S. in business, and an M.B.A. in Finance and Marketing, with four previous years as Finance Director/City Clerk in Arcata, California.

My conclusion is that for most counties the positions of Treasurer-Tax Collector and Auditor-Controller should remain elected and not be combined. Some other combinations are acceptable and are dependent on local conditions.

Reasons for elective office:

The Treasurer is the Treasurer and ex-officio Treasurer for all elementary, secondary, and community colleges, special districts, and the county. In that capacity the Treasurer must impartially act in the best interest of all the governmental agencies. This means that interest earned on fund balances must be equitable regardless of the agency. As Tax Collector I have experienced several instances of late payments by former Members of Congress, County Supervisors, (and their major contributors), county department heads, and executives at major employers in our county. These people have requested special consideration for waiver of penalties. It should not take much thought to conclude the political pressure that could have been placed on an appointed position to waive late penalties. My elected status has given me the ability to explain that all citizens are treated equally under the law.

There have also been occasions when county administrators or members of the board have sought to utilize funds for questionable purposes that our elected Auditor-Controller disallowed. Most particularly these often were related to travel expenses.

Reasons for the offices to remain separate:

The primary responsibility relating to both offices is the oversight function of the Auditor-Controller to verify the accuracy of Treasurer accounting and bank balances. Particularly in smaller counties staffing does not provide enough resources to allow these checks and balances to remain independent. Larger counties may have enough staff to separate these functions, but

the fact remains that if the offices were combined they all answer to the same individual. In essence, the audit of the Treasurer is done by the Treasurer-Tax Collector/Auditor-Controller and the result is a self audit. This does not provide independent oversight.

The primary reason often given for consolidation of offices is economy. Most consolidations I have witnessed would question this being accomplished. First, the main official receives more pay, and then appoints managers in all areas who earn increased salary due to their increase in responsibilities. They still must attempt to remain independent offices to meet the requirement for checks and balances. The primary position takes on additional duties without more hours in the day to fulfill the work. One assumes that the person had enough work to do when holding only one of the offices. The choice becomes accomplishing less, or adding more staff to meet the additional workload.

It seems within government we all lose sight of the most important people, the citizens we serve. Regardless of all other considerations they need a voice in how they are governed. My experience shows that most times when citizens are asked to combine offices or eliminate elective offices, they reject the proposal. It is only when all of the officials involved agreeing to support the proposal it sometimes is approved by the voters. The decision to convert an elected position to appointive status should be voted upon by the electorate. Citizens deserve a voice in determining how they will be governed.

I consider this an important decision on the part of your committee. Unfortunately, it is difficult to justify a two day trip to Sacramento to provide five minutes of testimony. Any member of the committee is welcome to telephone me for additional information on these topics.



Stephen A. Strawn
Treasurer-Tax Collector
Humboldt County
1-877-448-6829 (toll-free)

AUDITOR-CONTROLLER/RECORDER TREASURER/TAX COLLECTOR COUNTY CLERK



COUNTY OF SAN BERNARDINO

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TREASURER/TAX COLLECTOR • 172 West Third Street, First Floor
San Bernardino, CA 92415-0360 • (909) 387-8308 • Fax (909) 387-6716

Reply to:

LARRY WALKER
Auditor-Controller/Recorder
Treasurer/Tax Collector
County Clerk

March 12, 2010

The Honorable Dave Cox
Senate Local Government Committee
State Capitol, Room 5046
Sacramento, CA 95814

Dear Senator Cox:

Thank you for the opportunity to address your committee on the subject of consolidation of county wide elected offices.

I was unable to attend in person, but I offer the following comments for your consideration as you consider this important issue.

Perhaps the most important thing to acknowledge is that the question of consolidation of county departments is a totally separate issue from whether an office will be elected or changed to an appointed position. For example, our research suggested that San Bernardino County is approximately the 10th county to combine duties of Treasurer/Tax Collector with Auditor-Controller, but that the trend has shifted from converting the resulting position to an appointed position to the more recent trend of having the combined office as an elected position. In fact, it appears that San Bernardino County is approximately the 4th or 5th county to consolidate and maintain elected official status.

Another important observation is that every consolidation depends on local policy, events and personnel. San Bernardino County has seen three consolidations in the last few years. Coroner duties have been added to Sheriff, Treasurer/Tax Collector duties to Auditor-Controller, and Recorder duties to Assessor. Each of the three involved an elected official leaving, along with a desire to reduce overall costs through consolidation.

It is noteworthy that each of our county's actions parallels a state wide trend. There are now over thirty Assessor-Recorders, approximately ten Auditor-Controller/Treasurer/Tax Collectors, and many Sheriff/Coroners. Based on these trends, it appears that many different counties have come to similar conclusions on these issues.

One possible area for the committee to consider is a cleanup of the authorizing statutes, which are a collection of authorizations that appear to be inconsistent, or incomplete.

Letter/The Honorable Dave Cox
March 12, 2010
Page 2

However, the sense in San Bernardino County is that our consolidations have saved, and will continue to save money for the county, as well as improving service, and they were accomplished under existing law. I am therefore reluctant to criticize the net impact of the current statutes.

Thank you for the opportunity to contribute to your consideration of this issue.

Sincerely,

A handwritten signature in cursive script that reads "Larry Walker".

LARRY WALKER
Auditor-Controller/Recorder/Treasurer/Tax Collector
San Bernardino County

cc: Members and Consultants, Senate Local Government Committee

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