



County of El Dorado

OFFICE OF AUDITOR-CONTROLLER

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November 8, 2010

Board of Supervisors
County of El Dorado
330 Fair Lane
Placerville, California 95667

Subject: CAO's Proposed 2011-12 Budget for the Auditor-Controller

Ladies and Gentlemen:

The purpose of this letter is to document my comments regarding the CAO's Proposed 2011-12 Budget for the Auditor-Controller's Office.

I support your Board's attempt to make significant cuts to the County's General Fund Budget now rather than waiting until the summer of 2011. Of course, I do not support all of the CAO proposed cuts, but we as a County must continue to work at downsizing our government to meet the depressing and realistic economic projections for the near future.

In order to accomplish our work in the Auditor-Controller's Office, we rely heavily on the IT Department and the willingness of your Board to adequately establish the Personnel Allocation for our office. We need people to accomplish our work in the Auditor-Controller's Office. The CAO's Budget for our office proposes 20.6 positions. That proposal will be a 28% reduction in positions since June 2008.

This reduction in our Personnel Allocation will lead to slower claims processing time, adversely affect the County's internal control structure, and hinder our ability to identify errors. My staff and I are willing to accept the CAO's Budget proposal and attempt to continue to deliver the payroll, property tax, claims auditing, cash disbursement, financial analysis, accounting, and financial reporting services that we have delivered in the past. However, it would be most helpful if your Board and the CAO worked to set higher performance standards for department heads effective immediately. Some examples of errors and irregularities, identified during fiscal 2009-10 claims processing are as follows:

1. My office identified 59 claims submitted by departments that would have resulted in duplicate payments to vendors. My staff's identification of these 59 duplicate claims prevented the payment of \$81,687.31 of inappropriate expenditures.
2. On over 200 occasions, my staff identified instances where departments approved for payment invoices that billed the County in excess of our contractual obligation to pay. My staff's identification of these 200 claims saved the County over \$35,000.
3. On 43 occasions, my staff reduced travel reimbursements to County employees after department heads approved reimbursements in excess of County policy.

Aside from errors related to claims processing, my staff has identified instances:


1. In which County credit cards were used for expenses unrelated to County business and obtained reimbursement from the responsible County employee.
2. Where errors were made on Personnel Action forms that would have caused individuals to be over paid had they not been identified by my staff.
3. Errors on draft claims for reimbursement that were to be submitted to state and federal agencies.
4. Errors in the accounting for building permit fees collected by the Development Services Department.
5. Erroneous allocation instructions for Transportation Development Act Funds issued by a local transportation planning organization.
6. Where check counterfeiters attempted to misappropriate funds from the County, but were stopped by my staff's timely review and analysis.

I have a competent and motivated staff that has done an outstanding job of reviewing and auditing the work done by various County departments. The reviewing and auditing conducted by my staff has helped establish a culture where the most of the County's employees are careful and conservative (by local government standards) in their use of the taxpayers' money. Further, the CAO's proposed cuts to the staffing levels in the Auditor-Controller's Office will likely lead to an erosion of that culture.

Again I remind you, that in order for the Auditor-Controller's Office to function effectively with a Personnel Allocation of 20.6 positions, your Board and the CAO need to set higher performance standards for the County's department heads. A reduction in the number of documents submitted in error by County departments is necessary in order for my office to operate effectively at the staffing levels proposed by the CAO for 2011-12. Further, these proposed reductions will delay various reports prepared and reviewed by my staff and will delay the implementation of proposed changes to the County's accounting structure, such as the establishment and new index codes and budget units.

If you have any questions, please call me at 621-5456.

Sincerely,



Joe Harn, CPA
Auditor-Controller

CC: Gayle Erbe-Hamlin, CAO