



Madera County Government Center

2012-2013
Madera County Grand Jury
Final Report
Complaint Regarding
County Administration and Finance

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Introduction:

The Grand Jury received a complaint regarding the management practices of the Madera County Administrative Officer (CAO). While investigating the alleged aggressive and intimidating management style of the CAO, the Grand Jury discovered related problems with the mandatory Single Audit, the cash handling procedures of the Treasurer-Tax Collector and the lack of oversight by the Board of Supervisors. Further, needless bickering by top County officials is a distraction and obscures a major problem, the failure to file the annual mandatory Single Audit with the State Controller's Office. The filing of the Single Audit has been delayed for more than one year and has resulted in the late or lost receipt of more than three million dollars of Federal and State funds for road and grant projects.

This investigation was conducted over a six month period. Many county employees at all levels were interviewed. Multiple Board of Supervisors (BoS) meetings were attended. The Grand Jury reviewed contracts, BoS letters, BoS videos, emails, public websites, Government Code and audit reports to determine the facts in this matter.

Complaint Allegations:

1. The CAO creates a hostile work environment by:
 - a. bullying, intimidating and threatening subordinates;
 - b. demonstrating retaliation, resentment, and secrecy;
 - c. sending threatening and intimidating emails and letters to department heads;
 - d. using inappropriate and profane language in an angry email to department heads;
 - e. engaging in angry, verbal tirades in the presence of others.
2. The CAO plays favorites with certain employees.
3. The CAO uses divisive tactics by pitting department heads against one another.

Facts:

1. The Madera County Administrative Officer (CAO):

- a. has been the County's chief executive for the past three years;
- b. oversees major organizational changes to align resources commensurate with the County's fiscal constraints;
- c. at times exhibits a domineering, over controlling management style causing a detrimental effect on morale and motivation (stated by several witnesses interviewed);
- d. is considered aggressive, impatient and short tempered by some of his subordinates;
- e. has written negative emails and letters to several employees and a prominent community leader;
- f. participated in discordant exchanges with the Treasurer-Tax Collector and the Clerk-Recorder;
- g. submitted a Board Letter dated February 26, 2013, requesting the BoS hire an audit firm, Hemming Morse, to perform an audit of the Treasurer's financial accounts, activities, and processes. In that letter he stated that the audit "*...will help provide clarity to the cash balancing situation that is holding up the 2010-2011 audit (Single Audit) by Galena (accounting firm)*".
- h. failed to present to BoS the findings of 2009 and 2010 outside audits;
- i. was directed by the Board to include Treasurer-Tax Collector in communication, scheduling and scope of work of the Hemming Morse audit.

2. The Madera County appointed Auditor-Controller:

- a. delivered an oral presentation during the February 26, 2013, BoS meeting, in support of the CAO's request for the Hemming Morse audit and allowed the statement "*...will help provide clarity to the cash balancing situation that is holding up the 2010-11 audit by Galena*" in the CAO's Board letter to stand as truthful and accurate;
- b. has not completed the mandated outside audit (Single Audit) as required by the State Controller and Federal Government for fiscal year ending June 2011 which precludes the County from receiving certain road funds and other grants from State and Federal programs;
- c. unilaterally implemented a number of payroll, accounting and procedural changes without communication or input from other affected departments;
- d. recruited and hired an Assistant Auditor and Deputy Auditor;
- e. currently has a fully staffed office;
- f. has available, on a part time basis, the knowledgeable and experienced retired Assistant Auditor;
- g. at times lacks consistency in interactions with subordinates and peers;
- h. conducted an informal review of the Treasurer's cash handling procedures in September, 2012, and identified several deficient and inadequate control practices;
- i. failed to present to BoS the findings of 2009 and 2010 outside audits.

3. The Madera County Treasurer-Tax Collector:

- a. implemented some of the changes recommended in the review conducted by the Auditor-Controller;
- b. has been aware that the annual Single Audits for fiscal years ending 2008, 2009 and 2010, conducted by the outside audit firm of Caporicci & Lawson, Inc. identified some “internal control deficiencies”;
- c. responded to the 2008 audit and has not been requested to respond to the 2009 and 2010 audits;
- d. utilizes a Cash Accounting System which is not integrated with the County IFAS general ledger;
- e. exercised check writing authority on investment accounts;
- f. repeatedly requested cooperation from the Auditor and CAO to assist in resolving issues.

4. The Madera County Board of Supervisors:

- a. on February 26, 2013, approved a Hemming Morse audit to be conducted of the Treasurer-Tax Collector’s office;
- b. failed to direct corrective action be taken to solve cash account issues after being provided detailed recommendations from previous outside audits;
- c. allowed the delay for more than one year of the filing of the outside audit (Single Audit) without determining the actual cause of this failure;
- d. failed to request findings of the 2009 and 2010 audits;
- e. failed to take effective action to eliminate the friction which exists between the Treasurer, the CAO and the Auditor-Controller.

Findings:

1. The Madera County Administrative Officer:

- a. at times uses intimidation and threats to obtain compliance with his directions;
- b. demonstrates a need to improve leadership skills required by his position;
- c. has negatively affected the morale and motivation of some employees with whom he interfaces;
- d. shows favoritism in dealing with department heads and employees;
- e. provided inaccurate and incomplete information to the BoS regarding the delay of filing the 2011 Single Audit;
- f. needs to promote cooperation between finance and administrative departments;
- g. publicly demonstrated animosity and a lack of professionalism toward the Treasurer-Tax Collector and Clerk-Recorder;
- h. has not been following Board direction to keep Treasurer-Tax Collector informed of the Hemming Morse audit details (status, schedule and scope of work).

2. The Madera County appointed Auditor-Controller:

- a. is sufficiently staffed to accomplish the work of the department;
- b. made some improvements in the operation of the department;
- c. needs to become less autocratic and communicate more effectively with peers;
- d. made procedural changes without notice to affected departments;
- e. mislead the BoS by stating that the delay in filing the Single Audit was due to the Cash Account Balance issue in the Treasurer's Department, when in fact, there were other unrelated accounting issues in the Auditor's office that delayed the audit;
- f. has taken no action to incorporate the cash accounting process with the County general ledger.

3. The Madera County Treasurer-Tax Collector:

- a. was inaccurately and unfairly blamed for delaying the Single Audit by the CAO and Auditor-Controller;
- b. maintains the County's cash accounts using a standard system employed by many other counties;
- c. does not participate as a member of the County finance and administrative team due to the open hostility of the CAO;
- d. has not exercised best practices in the cash handling procedures, exposing the office to liability, criticism and suspicion.

4. The Madera County Board of Supervisors (BoS):

- a. was not adequately informed nor motivated to resolve the outside audits (Single Audit) issues which resulted in loss of revenue in excess of three million dollars;
- b. failed to oversee corrective action to outside audits (Single Audit) findings;
- c. does not recognize the potential liability resulting from the CAO's actions as well as the loss of productivity due to the contentious work environment fostered by the CAO;
- d. avoids responsibility by allowing the CAO to exceed his authority;
- e. provides minimal oversight of the financial and administrative County functions.

Recommendations:

1. The BoS meet with the CAO to;
 - a. specifically delineate the extent of his authority;
 - b. reduce the liability exposure of the County by directing the CAO to curtail his aggressive and intimidating management practices;
 - c. direct the CAO to create an "open" county management team promoting an exchange of ideas so that all department heads feel free to express their opinion without repercussions.

2. Board members encourage department heads to meet with them independently on important departmental issues allowing for a more direct exchange of information.
3. The Treasurer-Tax Collector should request that the cash handling procedures be integrated with the County IFAS general ledger system as soon as possible to help alleviate confusion and misinterpretation of cash balancing problems.
4. The BoS meet with the Auditor-Controller and the Treasurer-Tax Collector to jointly develop:
 - a. a plan to eliminate the problem of cash handling and balancing in the Treasurer-Tax Collector's Office;
 - b. a Memorandum of Understanding (MOU) stating the goals, objectives, schedule of implementation and a commitment of cooperation.
5. The Auditor-Controller expand personal knowledge of County Government organizational and fiscal practices.
6. As a best practice, the Treasurer-Tax Collector relinquish all check writing authority to the Auditor-Controller.
7. The Treasurer-Tax Collector actively participate in the finance and administrative management team.
8. The BoS direct the Auditor-Controller brief them on details of 2009 and 2010 outside audit findings and plans to take corrective action. Then, direct regular progress reports.
9. The BoS focus its attention on resolving the recurring accounting issues related to the timely completion of the Single Audit and provide all necessary resources to facilitate a resolution.
10. The BoS, the CAO, the Auditor-Controller and the Treasurer-Tax Collector strive to develop an effective working relationship to better serve the taxpayers of Madera County.

Respondents:

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Madera County Auditor-Controller
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Madera County Treasurer-Tax Collector
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