

**2013-2014**  
**Madera County Grand Jury**  
**Final Report**  
**Auditor-Controller Office**

**Introduction:**

The Madera County Auditor-Controller Office was investigated by the Madera County Grand Jury pursuant to a citizen complaint concerning the operation and timely filing of the Single Audit with the State of California. The complaint states that the current Auditor-Controller has failed to file the 2011, 2012 and 2013 Single Audit in a timely manner. The 2013 Single Audit has yet to be filed. Complete financial reports must be filed with the Single Audit. (Federal Single Audit Act of 1984, 31 U.S.C. Section 7501 et seq.)

The Auditor-Controller is the chief accounting and disbursing officer of the County. The Auditor maintains the accounts of County government, School Districts, and most Special Districts. Taxation functions of this department include tabulating the assessed valuation of property, compiling tax rates of local government, preparing the tax roll, and controlling accounts for current and delinquent taxes. Additionally, this department apportions taxes to various local governments, ledgers, accounts, and County departments; allows or rejects claims against the County treasury; issues checks; maintains property inventory records; gives financial advice to County departments; compiles County and Special District budgets; and estimates revenue relative to the County budget.

**Facts:**

1. The Auditor-Controller (Auditor) is an elected official unless a vacancy occurs mid-term. As an elected official, the Auditor is not directly supervised by the County Administrative Officer (CAO) or the Board of Supervisors (BoS).
2. The current Auditor was appointed by the BoS in January, 2012 and assumed the position late that month.
3. The position of Auditor will be on the June, 2014 election ballot.
4. The Auditor's office operates under the personnel restrictions imposed by law, county policies, civil service commissions and union contracts.
5. The Auditor is responsible for supervising the preparation of the Single Audit and the related documents that are part of the total Single Audit package that must be submitted to the State Controller's Office (SCO).
6. The Auditor supervises the preparation of all documents necessary for the Single Audit which is prepared by an outside independent auditor hired by the County.

7. The Single Audit and supporting documents must be filed with the SCO by March 31 for the prior fiscal year (July 1 – June 30) per Office Management and Budget (OMB) Circular A-133, Subpart C.
8. The Single Audit for the 2011 fiscal year (due March 31, 2012) was not filed with the SCO until July of 2012.
9. Madera County was the last county in the State to file the 2012 Single Audit (due March 31, 2013).
10. Because the Single Audits have not been filed on time for several years the County is rated as “High Risk” by the SCO; thereby, requiring additional information and work to complete the Single Audit.
11. Filing the Single Audit in a timely manner with the SCO is a threshold test for many competitive grant applications. The late filing of the Single Audit resulted in the county being placed under sanctions by the SCO.
12. In September, 2012 the outside independent auditor made a request for payment for extra field work in the amount of \$18,000 to complete the 2011 audit. There was a request for an additional \$3,000 to assist with the preparation of financial statements necessary to complete the 2011 audit. The BoS did not approve the increase of the \$21,000 until one year later on October 8, 2013.
13. One of the duties of the Auditor is to review financial procedures of county departments.
14. A primary function of the Auditor is to act as the county’s chief watch dog for the financial integrity of all the departments.
15. When the Auditor assumed office, there was an existing culture of “we’ve always done it this way”.
16. Three senior management staff members of the Auditor’s office resigned shortly before the current Auditor took office.
17. The Auditor’s Office has five degreed accountants.
18. Financial records for the County were not properly maintained and reconciled for many years prior to the appointment of the current Auditor.
19. The County uses IFAS software as a primary financial software package. The IFAS software was not updated for several years.
20. The County is in the process of updating IFAS and is considering acquiring a different primary financial software package.

21. Many individual County departments use software programs that are not compatible with IFAS.
22. The IFAS software package has been prone to frequent crashes.
23. In past years, data was incorrectly entered in the system (mapping into fund group codes). This required the review of approximately 16,000 line entries into approximately 700 separate funds.
24. IFAS software as currently implemented does not track grants.
25. The Auditor's office has: insufficient training of staff; minimal empowerment of staff; an unclear chain of command; and inadequate communication through regularly scheduled meetings of entire staff.
26. Madera County Code 2.60.440 requires that all employees be evaluated prior to the completion of probationary status and annually thereafter.

**Findings:**

1. The Auditor's management style is top down and autocratic causing undue tension and low morale of the staff.
2. The County needs more degreed accountants for the Auditor's department.
3. The attempt of the Auditor to change practices has been inhibited by the inherited culture.
4. The review of approximately 16,000 line items delayed the timely preparation of the Single Audits.
5. The Auditor has implemented procedures and policies to improve the financial record keeping and reporting for the County which will enable the timely filing of Single Audits in future years.
6. Lack of timely filing of the Single Audit has caused the county to lose the opportunity to apply for grants. Some grants have been lost entirely or in part due to lack of filing the Single Audit in a timely manner. Delays in receiving grants can result in extra cost to the county.
7. The IFAS software is inadequate for the needs for the county's financial record keeping and reporting.
8. The lack of ongoing training and supervision of personnel in the accurate entry of data resulted in substantial staff time to correct past data entry errors.
9. The loss of senior staff members prior to Auditor's appointment in January, 2012 inhibited the timely filing of the 2011 Single Audit.

10. There was a delay of one year in the payment to the independent outside auditor who was owed by the county the sum of \$21,000 for additional work to complete the 2011 Single Audit. This resulted in the independent outside auditor being unable to do the additional work while they were owed monies by the county. If the independent outside auditor has not been paid, they are not considered "independent" and cannot return until the debt is cleared.
11. Because of the additional time invested in attempting to complete the Single Audit, the Auditor did not have available time or staff to perform the financial watch dog function over other county departments.
12. The County is rated as a financial High Risk agency by the SCO requiring additional work and an increase in fees for the independent auditor to complete the Single Audits.
13. Because the County is under sanctions by the SCO, the County is inhibited from applying for grants or from receiving some pass-through funds.
14. The investigation revealed that morale is low in the Auditor's Office.
15. The Auditor's Office has: insufficient training of staff; minimal empowerment of staff; an unclear chain of command; and inadequate communication through regularly scheduled meetings of entire staff. This has inhibited the Auditor's Office from performing all of its intended functions in a timely manner.

**Recommendations:**

The Grand Jury Recommends that:

1. Madera County should immediately obtain a financial software package to meet the needs of the Auditor-Controller and other county departments.
2. The Auditor-Controller should request funds for sufficient degreed accountants in order to meet ongoing Single Audit deadlines. In addition, degreed accountants can provide professional training of staff within the Auditor-Controller's office to increase efficiency. The Auditor-Controller should delegate more responsibility to supervisors to manage staff.
3. The Auditor-Controller conduct regularly scheduled staff meetings to build teamwork and inform the staff of upcoming activities, changes, and new initiatives impacting the department.
4. The Auditor-Controller should perform regularly scheduled employee evaluations per Madera County Code 2.60.440.
5. The BoS contract for an outside managerial study of the Auditor-Controller's office to examine and make recommendations regarding supervisory practices, staffing, systems, procedures, and employee morale.
6. The Auditor-Controller increase on-going cross-training of personnel.

**Respondents:**

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