

## AGENDA

Dan Buckshi  
County Administrator



## BOARD OF SUPERVISORS

Frank R. Mecham, Vice-Chairperson, 1<sup>st</sup> District  
Bruce Gibson, Chairperson, 2<sup>nd</sup> District  
Adam Hill, 3<sup>rd</sup> District  
Caren Ray, 4<sup>th</sup> District  
Debbie Arnold, 5<sup>th</sup> District

Tuesday, June 03, 2014

CONSENT AGENDA

9:00 AM

REVIEW AND APPROVAL

PUBLIC COMMENT PERIOD

HEARINGS

CLOSED SESSION

RECESS

AFTERNOON SESSION

1:30 PM

REPORT ON CLOSED SESSION

PRESENTATIONS

HEARINGS

ADJOURNMENT

5:00 PM

- The Board of Supervisors' weekly agenda and staff reports are available at the following website: [www.slocounty.ca.gov](http://www.slocounty.ca.gov). Packets are also available at the County Government Center and may be viewed on-line at the Atascadero, Arroyo Grande, Paso Robles, Nipomo, Morro Bay, SLO City/County Libraries and the SLO Law Library.
- All persons desiring to speak on any Board item, including the Consent agenda, Closed Session or during the general public comment period are asked to fill out a "Board Appearance Request Form" and submit to the Clerk of the Board *prior* to the start of the Board item. Each individual speaker is limited to a MAXIMUM of three (3) minutes.
- Please refer to the information brochure located in the back and outside of the Board Chambers for additional information regarding accommodations under the Americans with Disabilities Act, supplemental correspondence, and general rules of procedure.

9:00 FLAG SALUTE

### CONSENT AGENDA – REVIEW AND APPROVAL

The items listed on this portion of the agenda are scheduled for consideration as a group. The staff recommendations will be approved as outlined within the staff report. Any Supervisor may request an item be withdrawn from the Consent Agenda to permit discussion or change the recommended course of action for an item.

Items Set for Hearing:

1. Setting of a public hearing to consider a resolution to collect delinquent service charges on property tax bills for County Service Areas 16 (Shandon) and 23 (Santa Margarita) to the 2014-15 County property tax bills. Hearing date set for July 15, 2014. District 1 and 5.
2. Setting of a public hearing to consider a resolution to collect existing service charges on property tax bills for County Service Areas 1 (Old Galaxy and Tract 1690, Nipomo), 1-A (Galaxy Park and Tract 1898, Nipomo), 1-F (New Galaxy, Nipomo), 7-A (Oak Shores), 18 (San Luis Country Club Estates), and 21 (Cambria). Hearing date set for July 8, 2014. Districts 1, 2, 3, 4.

Bid Opening:

3. Letter transmitting plans and specifications (Clerk's File) for 2014-15 Chip Seal, Various Roads, San Luis Obispo County, for Board approval and advertisement for construction bids. Bid opening date set for Thursday, July 10, 2014. Districts 1, 2, 3 and 5.

Consent Agenda - Administrative Office Items:

4. Submittal of a notice to commence negotiations for the exchange of property tax revenue and annual tax increment for Annexation No. 31 to the City of Arroyo Grande (Heights at Vista Del Mar). District 4.
5. Submittal of the Supplemental Budget to the FY 2014-15 Proposed Budget. All Districts.
6. Third 30-day update on current drought conditions and related management actions for Board's review of the continuing need for the March 11, 2014 proclamation of local emergency pursuant to Government Code section 8630. All Districts.

Consent Agenda - Auditor - Controller - Treasurer - Tax Collector Items:

7. Submittal of a Gallina LLP Independent Accountant's Report on the County Treasury's cash balance and accountability as of March 31, 2014. All Districts.
8. Submittal of a cash procedures and internal control review of the Animal Services Division of the Health Agency conducted on November 6, 2013. All Districts.
9. Submittal of a follow-up review report of the Public Guardian for Calendar Year 2012. All Districts.

Consent Agenda - Board of Supervisors Items:

10. Request to reappoint Kathryn Veder to the Commission on the Status of Women as a District 4 representative. District 4.
11. Request to reappoint Brent Wiley to the Cayucos-Morro Bay Cemetery District. District 2.

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 6/3/2014	(3) CONTACT/PHONE Kerry Bailey 788-2979	
(4) SUBJECT Submittal of a follow-up review report of the Public Guardian for Calendar Year 2012. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached follow-up review report.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ___) <input type="checkbox"/> Board Business (Time Est. ___)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A    Date: <u>11-26-2013</u>	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts			

## County of San Luis Obispo



TO: Board of Supervisors  
FROM: James P. Erb, Auditor-Controller-Treasurer-Tax Collector  
DATE: 6/3/2014  
SUBJECT: Submittal of a follow-up review report of the Public Guardian for Calendar Year 2012. All Districts.

### **RECOMMENDATION**

It is recommended that the Board receive, review, and file the attached follow-up review report.

### **DISCUSSION**

Through the Conservatorship and the Public Representative Payee programs, the Public Guardian's Office manages the property, finances and personal care needs of county individuals who are substantially unable to provide for themselves.

The purpose of our review was to determine whether the Public Guardian had implemented the Auditor-Controller-Treasurer-Tax Collector-Public Administrator's recommendations provided in our September 26, 2013 report.

We found that the Public Guardian implemented the recommendations provided in the prior report. We also found a current issue with the segregation of duties for cash disbursements. The Public Guardian's response to our finding is included in the attached report.

### **OTHER AGENCY INVOLVEMENT/IMPACT**

Public Guardian staff were interviewed, provided documentation, and responded to our findings.

### **FINANCIAL CONSIDERATIONS**

The Public Guardian held a monthly average of \$556,955 client funds in calendar year 2012.

### **RESULTS**

Auditor-Controller-Treasurer-Tax Collector-Public Administrator reviews help maintain accountability and compliance with governing code and contribute to the County's vision of a well-governed community.

**ATTACHMENTS**

1. Follow-Up review of the Public Guardian



# COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR

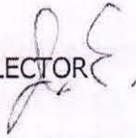
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JAMES P. ERB, CPA  
Auditor-Controller  
Treasurer-Tax Collector

James W. Hamilton, CPA  
Assistant

TO: JEFF HAMM, HEALTH AGENCY DIRECTOR

FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 

DATE: MAY 15, 2014

SUBJECT: FOLLOW-UP REVIEW OF THE PUBLIC GUARDIAN

Our office previously performed a compliance review of the Public Guardian for calendar year 2012 and issued a report to you on September 26, 2013. We recently performed a follow-up review to determine whether the Public Guardian implemented the recommendations identified in our report. We determined that the Public Guardian has implemented our recommendations. Additionally, in the course of our follow-up review we identified a segregation of duties issue in cash disbursements. We have included the Health Agency's response to our finding in the report below.

### Purpose

The purpose of our review was to determine whether the Public Guardian implemented the recommendations provided in our September 26, 2013 report.

### Scope & Methodology

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The International Standards for the Professional Practice of Internal Auditing require that the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of the engagements are communicated.

Our review included an examination of judgmentally selected active cases. We tested the active cases to determine if funds disbursed on behalf of clients were posted timely and accurately, were appropriately authorized, and were handled in accordance with the Probate Code and Public Guardian and Countywide policies. We also reviewed a sample of Inventory and Appraisal forms to determine whether Public Guardian staff met court reporting deadlines.

Additionally we looked at Public Guardian deposits and deposit procedures for compliance with the Auditor-Controller's Cash Handling Policy. Our review also included an evaluation of internal

controls over cash. Our evaluation of internal controls included inquiries of departmental staff and direct observations.

### Results

We found that the Public Guardian implemented the recommendations provided in the prior report. We also found a current issue with the segregation of duties for cash disbursements. The follow-up results and our findings are discussed below:

### Previous Findings & Recommendations and Follow-Up Results

#### **1. Cash Duties are Not Segregated**

The Public Guardian uses outside bank accounts for the deposit and disbursement of client funds. Transactions are not processed through the County's financial system nor are funds part of the County Treasury. We found that the deposits and disbursements are processed by the same staff person. Best accounting practices require that duties involving the custody of cash and the authorization or approval of related transactions affecting the cash be segregated. The duties have not been segregated due to a limited number of fiscal staff in the Public Guardian's office. The Public Guardian's Office has implemented compensating controls by requiring verification of deposits by a second staff person; however, the overall lack of segregation of duties increases the risk of misappropriation and/or misuse of assets.

#### Recommendation:

We recommend that the staff person responsible for issuing checks be removed from all depository duties. In addition, the preparation of the deposit should be handled by a person who is not making the deposit at the bank. The person making the deposit should not work in the Public Guardian's office.

#### **Follow-Up Results**

**Implemented:** We found the Public Guardian staff responsible for issuing checks has been removed from depository duties. The deposit is now delivered to the financial institution by Health Agency Administrative staff members who are separate from the Public Guardian's office.

#### **2. Untimely Deposits**

Based on our review of internal controls, we determined that deposits were not made in a timely manner. The County Auditor-Controller's Cash Handling Policy requires departments to deposit cash at least weekly or earlier if receipts exceed \$500. Staff was unaware of the Cash Handling Policy requirement. In addition staff stated that the bank used by the Public Guardian's Office charges a fee for each deposit. Undeposited cash receipts increase the risk of loss or misappropriation of conservatee assets.

#### Recommendation:

Because the bank used by the Public Guardian charges a fee for each deposit, we recommend that the Public Guardian work with the San Luis Obispo County Treasurer to find a more cost effective financial institution. In the interim, we recommend that the Public Guardian submit a letter to the Auditor-Controller asking for a waiver allowing the Public Guardian to deposit funds weekly.

### **Follow-Up Results**

**Implemented:** Subsequent to our prior audit, the bank used by Public Guardian was acquired by Union Bank. Staff are now working with a government account representative who has assured them that the fees being charged are the best government rates possible. Additionally Public Guardian has requested and received approval from the Auditor-Controller-Treasurer-Tax Collector to deposit funds weekly. We found that Public Guardian deposits are now being made on a timely basis.

### **3. Authorized Bank Account Signatory Not on Organizational Chart**

We found that one of the signatories on the Public Guardian bank accounts is an administrator in the Public Health Department. The Public Health Administrator is not on the Public Guardian organization chart or in a position of authority over the Public Guardian's activities. Best business practices require that signatories on bank accounts have some authority over the operations of the accounts for which they are signing. The Public Health administrator was a signer on the account when the Public Guardian's Office was part of the Public Health Department. When the Health Agency reorganization took place, and the director of the Health Agency became the Public Guardian, the Public Health administrator was left on the bank account as an authorized signer. Having a signatory on the account who does not have authority over the operations of the accounts for which he or she is signing increases the risk that client funds could be disbursed for unauthorized purposes.

#### **Recommendation:**

We recommend removing the Public Health Administrator from the Public Guardian bank accounts. If the Public Guardian requires another authorized signatory on the account, we suggest the Health Agency Deputy Director, who by the nature of his position has accountability for the financial activity of the entire Health Agency, be added.

### **Follow-Up Results**

**Implemented:** We confirmed that the Public Health Administrator had been removed from the Public Guardian bank accounts.

### **4. Inventory and Appraisal Not Filed Within 90 Days**

We found that three of seven cases tested did not have inventories and appraisements of the conservatees' estates filed with the clerk of the court within 90 days of appointment of conservatorship. Probate Code Section 2610(a) requires that within 90 days of appointment, the conservator must file an inventory and appraisal of the estate with the clerk of the court. Staff was uncertain as to the reason for the delays which ranged from 2 to 19 days. Noncompliance with the Probate Code increases the risk of loss or misappropriation of conservatee assets as well as potentially increasing the risk of litigation for the County.

#### **Recommendation:**

We recommend Public Guardian staff review current processes and update as necessary to ensure that mandated court reporting deadlines are met in every case.

## **Follow-Up Results**

### **Implemented:**

We found that the Public Guardian had met the mandated court reporting deadlines on the two new cases that were reviewed.

## **5. Policies Out of Date**

We found that many of the Public Guardian Policies had not been updated since January of 2002. Best business practices require the review and update of policies on a regular basis. Staff stated that the policies are based on legislation, which changes too quickly for updates to the manual to be effective. Policies that do not have the most current information can cause errors and miscalculations in staff performance.

### Recommendation:

We recommend that Public Guardian staff review the Public Guardian's policies and update them as necessary.

## **Follow-Up Results**

**Implemented:** We found that the Public Guardian had updated several office policies and created one new policy. The office is now utilizing online resources when applicable. These include California Association of Public Administrators, Public Guardian and Public Conservators Best Practice Guidelines and the Probate Code.

## New Finding & Recommendation

### **1. Cash Disbursement Duties Not Segregated**

We found that the Public Guardian Accountant is a signatory on the Representative Payee program bank account. The Accountant also has the authority to add new vendors in the financial system and issue checks to those vendors. The Auditor-Controller's Cash Handling Policy requires that no single individual control more than one key aspect of a cash transaction. The cash disbursement duties have not been segregated due to a limited number of fiscal staff in the Public Guardian's office. The Public Guardian has implemented compensating controls by requiring the Health Agency Director and Deputy Director as signatories on the representative payee bank account; however, often both the Director and Deputy Director are not available, and the Accountant signs the checks. When one individual has control of more than one key aspect of a transaction, the risk of error and the opportunity for misappropriation significantly increases.

### Recommendation:

We recommend that the staff person responsible for issuing checks be removed from being an authorized signor on the representative payee bank account or that the responsibilities for entering new vendors be assigned to a different staff person.

## **Department Response**

Due to the limited number of staff in the Public Guardian office, the Public Guardian has designated that the Health Agency Director, Health Agency Deputy Director, and the Public Guardian Accountant have signatory responsibilities on the Representative Payee program bank

account. Having the Accountant as a third signatory is important in that the Director and Deputy Director are not always both available to sign checks, in which the Accountant would provide a second signature on checks. In order to comply with the Auditor Controller's cash handling policy that states that no single individual control more than one key aspect of a cash transaction, the Department has removed the authority of the Accountant to add new vendors in the Representative Payee financial system. That duty will now be the responsibility of the Sr. Account Clerk in the Public Guardian office. Removing the Accountant from adding new vendors will ensure that cash duties are segregated and control of key cash responsibilities are shared within the Public Guardian office.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.