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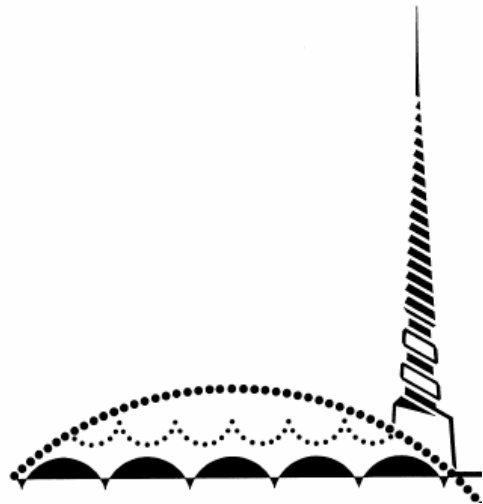
**2006-2007 MARIN COUNTY GRAND JURY**

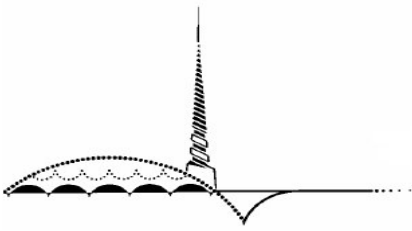
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**THE MARIN COUNTY TREASURER'S OFFICE**

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Date of Report: June 22, 2007





# Marin County Grand Jury

## THE MARIN COUNTY TREASURER'S OFFICE

### SUMMARY

As the citizens' watchdog, the Grand Jury is mandated to review County government. While certain aspects of the Treasurer's Office have been examined by the Grand Jury in the past, the entire Treasurer's Office with its many functions has never been the subject of a Marin County Grand Jury review.

The Grand Jury finds the Treasurer's Office is generally well run and well managed. The Grand Jury is impressed with the knowledge and the commitment of the Treasurer and his staff. Every member of the staff interviewed demonstrated a depth of experience coupled with an understanding of the performance requirements of his or her job.

The major issues facing the Treasurer's Office and its departments are external, with the exception of needed controls in Central Collections. These issues include the following:

- Difficulties surrounding the new Merit<sup>1</sup> accounting system, especially in the areas of controls to prevent fraudulent check cashing and the daily reconciliation of County funds.
- Lack of uniform policies and procedures throughout County government for surrendering delinquent accounts to Central Collections.
- Lack of uniform policies and procedures within Central Collections to process delinquencies.
- Status of the Registrar of Voters as a non-financial department in a cluster of financial departments.
- Critical lack of space.
- Shortage of qualified employees to fill vacancies created by retirements and resignations.

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<sup>1</sup> MERIT is the official name of the new accounting system. It is an acronym for Marin Enterprise Resource Integration Technology.

The Grand Jury recommends that:

- Modifications be made to the new Merit accounting system so that the Treasurer can continue to prevent fraudulent check cashing and to allow for daily reconciliation of County funds.
- The County Administrator, Treasurer and Auditor-Controller establish written policies and procedures requiring the surrender of delinquent balances to Central Collections.
- The Treasurer and the Auditor-Controller establish written policies and procedures within Central Collections to process and pursue delinquent balances.
- The Board of Supervisors takes the necessary steps to make the Registrar of Voters an appointee of the Board with a freestanding department.
- Each department in the Treasurer's Office be rearranged to allow easier public access and more efficient space allocations for staff and storage.

## **BACKGROUND**

The Treasurer in Marin wears many hats with diverse responsibilities. The Grand Jury felt that a review of Treasury operations might identify areas that could be improved in this very important and very public part of Marin County government.

Five major departments report to the Treasurer's Office. They are Tax Collection, County Clerk, Public Administrator, Central Collections and Registrar of Voters.

To understand the role of the Treasurer in Marin, it is necessary to describe the wide range of responsibilities in the office. The dual officer of Treasurer-Tax Collector is an elected official in all of California's 58 counties. With the exception of Los Angeles, Sacramento, and Santa Clara counties, all Treasurer-Tax Collectors are non-partisan countywide officeholders serving four-year terms.

The mandate of the Treasurer's Office is to receive, safeguard, and invest County, school district and special district funds, to collect taxes and revenues and, as Public Administrator, to probate estates for County residents when required. The work, activities and responsibilities of the Treasurer's Office are governed by the California Government Code, Revenue and Taxation Code, Probate Code, Streets & Highways Code, State Constitution and County Ordinance. The Treasurer's budget in Marin covers four operating units: Treasurer, Tax Collector, Public Administrator, and Central Collections.

As of January 1, 1999, the County Clerk and Elections / Registrar of Voters were consolidated with the Treasurer-Tax Collector, although each continues to operate with its own budget.

### ***The Treasurer***

The Treasurer is the ex-officio treasurer of County, school district and special district funds. These entities are legally required to deposit their cash receipts and revenues in the County treasury and the Treasurer manages their funds in pooled accounts. Under California law, withdrawals by these entities are allowed only to pay for expenses that have become due. The Treasurer manages the County's investments, combining certain funds of the County and certain funds of other participating special districts into pooled accounts.

The investment guidelines for these funds are extremely conservative, conforming to all applicable state statutes and County resolutions. It is the stated policy of the Treasurer and his staff to invest and manage public funds in a manner that will provide the maximum security of principal. Secondary emphasis is on achieving yield while meeting the daily cash flow needs of the pool participants.

In addition, the Treasurer performs a number of functions related to bonds issued by the County and other governmental entities. The Treasurer is a key participant in County financing. The Treasurer receives and verifies, and in some cases invests, the funds raised from the issuance of bonds. His office is responsible for paying interest and principal on the bonds as they come due and for disbursing funds to issuers as needed and required by law. The County currently boasts an AA level rating on its own and further relies on bond guarantors to achieve an AAA rating, the highest rating possible. A higher rating will generally result in a lower interest rate.

### ***The Tax Collector***

Working with County departments the Tax Collector can research property tax questions, provide investment and cash flow information, assist in developing financing options for County projects, and provide general banking services. The Tax Collector determines parcels to sell at public auction, selects dates of the sales, coordinates the sales and accounts for sales proceeds.

The Tax Collector processes tax billings and collections for jurisdictions within Marin County. Taxes include secured real estate taxes, supplemental taxes, unsecured taxes (personal property taxes not secured by real estate), and delinquent taxes from prior years. Total taxes collected exceed \$680 million annually.

The Tax Collector administers: (1) payment plans for delinquent taxpayers; and (2) the state's tax postponement and assistance programs for seniors, blind and disabled persons. In addition, the office conducts public auction tax sales, bills and collects transient occupancy taxes, and processes parcel map requests.

### ***The Public Administrator***

Each county in California is required by the California Probate Code to have an elected Public Administrator. If there is no personal representative appointed by the deceased, or if there is no related person of the deceased willing to serve as personal administrator, a probate court can appoint the Public Administrator. When the Public Administrator handles the administration of a decedent's estate, s/he must gather and liquidate the estate's assets, including the sale of real property. The Public Administrator's office, in the words of one County official, "treats estates with the same care as if they were their own assets."

### ***The County Clerk***

The responsibilities of the County Clerk are to process and maintain public records on fictitious business names (e.g., John Doe doing business as ABC Plumbing) and on individuals conducting business within the County. The County Clerk processes passport applications; issues certificates of birth, death and marriage; performs marriage ceremonies; and issues notary bonds and registration of professional agents in compliance with statute. This department consists of three very busy County employees, all of whom have a high level of daily contact with the public.

### ***Central Collections***

Central Collections was established in 1994 as the result of a Grand Jury recommendation. Its job is to collect all unpaid fees (other than tax bills) due County departments. Examples include amounts due the Public Defender or tie-down fees due the Airport. Central Collections consists of two professional collections staff and one support person.

### ***Registrar of Voters***

The Registrar of Voters has the responsibility for maintaining the files of registered voters in the County, for conducting all statewide and countywide elections, and conducting municipal and special district elections at the request of the governing bodies of those jurisdictions. It is important to note that election laws, both State and Federal, are convoluted, complex and conflicting. The new Registrar has already made substantial improvements in polling place procedures.

The Registrar's office is responsible for preparing all election ballots, registering voters, issuing absentee ballots, staffing and monitoring polls, counting all votes and certifying all elections. In addition, the office maintains information on office holders and candidates as required by the Fair Political Practices Commission. On election night, electronic ballots from the various polling stations around the County are delivered from the polls to the Civic Center in sealed containers. They are then logged, processed and counted through electronic validation equipment and on-site computers. The process seems to run smoothly and efficiently.

## METHODOLOGY

Grand Jury members interviewed officials in each department of the Treasurer's Office. All have broad experience and each gave us a wide variety of suggestions to fine-tune their work, accompanied by some concerns. The Grand Jury interviewed elected officials, department heads, and support staff from various offices in the Treasurer's department. In addition, two members of the Grand Jury spent the election night of November 2006 in the Registrar's/Election Office as official Observers of the election process.

Members of the Grand Jury did a complete tour of all related offices and facilities: Treasurer, Tax Collector, Banking and Investments, Public Administrator, the Registrar of Voters / Election offices, the County Clerk's department and the Central Collections department. They also visited and inspected the County vault.

Finally, the Grand Jury reviewed information on Treasurers' offices from the following websites:

- State of California
- Sonoma County
- Napa County
- Santa Clara County
- Contra Costa County
- Santa Cruz County
- San Mateo County
- Alameda County
- San Francisco County
- Orange County

## DISCUSSION

Overall, the Grand Jury found the Treasurer's Office to be well managed, performing its assigned duties at or above acceptable levels, and providing good service to the public. The Grand Jury felt that the following issues should be given attention by the Treasurer and other County officials as appropriate.

### ***Problems with Check Reconciliation***

The Treasurer attends to a number of money management responsibilities on a regular basis. Among these activities is reconciling all the checks issued by the County. The Treasurer's office reconciles over 21,000 checks disbursed each month. The staff performs a daily reconciliation of County- and school-issued checks against paid items by downloading bank data into the department's reconciliation program. The Treasurer and his staff regard this daily reconciliation of County bank accounts and investments as a critical activity. The daily process includes "*reverse positive pay*," an electronic transmission from the County's bank of each individual check issued to the County's check reconciliation system. This helps guard against fraud.

When the County introduced its new MERIT accounting system, the Treasurer's office was unable to use it to meet its daily reconciliation and "positive pay" requirements. This forced the Treasurer to continue to use its old system. It has created a situation where the detail in the old system and the new official book of record as reflected in MERIT do not match.

The Grand Jury is pleased to note that dialogue to resolve these key issues has recently been initiated among the County Information Technology staff, MERIT consultants, and the Treasurer and Auditor staffs.

***Inadequate Policies and Procedures for Collections***

Following a report by the 1994 Grand Jury, the Central Collections department was expanded to include in its collection activities past due accounts (up to 12 months past due) for all County departments. Central Collections handles the original billing for some departments, while other departments do their own initial billing. The Grand Jury found that those who do their own billing often failed to turn over past due accounts to Central Collections. In addition, there is no certainty that all services provided are billed on a timely and accurate basis.

The Grand Jury is impressed with the progress made by Central Collections to collect these past due accounts, but remains concerned that there is no policy or control in place to insure that delinquent accounts are transferred to the Central Collections from other areas within the County in a timely manner.

Accounts can be held in originating departments for long periods of time before they are sent to Central Collections for handling. These items are stale and may be uncollectible by the time they are transferred. Central Collections is staffed with professionals trained to handle overdue customers' accounts. The sooner these overdue items are in the hands of the Central Collections, the more likely they will be collected.

The Grand Jury could not identify a countywide policy for transferring overdue accounts to Central Collections. While each service function being billed has its own legal requirements for payment, there is no time frame for turning outstanding balances over to the department, nor is there any standard information format so that the collectors can immediately pursue these items.

Some overdue items become uncollectible as the debtor cannot be located, has no assets, or may even be deceased. Overdue items have accumulated in Central Collections since its inception. Policies should be established to address these overdue items, consistent with legal and accounting requirements.

***Why is the Registrar of Voters reporting to the Treasurer?***

The Treasurer has a broad span of control. While all other departments reporting to the Treasurer are financial operations, the Registrar of Voters is not and requires a different background and discipline. It makes no sense for the Registrar of Voters to report to the Treasurer. We were informed by a County official that practically no other county in the State is so organized. As currently structured, the County Clerk is ex officio the registrar of voters<sup>2</sup>. The Board of Supervisors is given the option of appointing a separate county officer known as "registrar of voters" by California's Government Code.<sup>3</sup>

The Grand Jury would like to see the County avoid any potential for conflict of interest that may be inherent in having the Registrar of Voters report to an elected official.

***Need to reconfigure office space***

The Treasurer's department has a significant level of public contact and it is critical that they process taxpayer inquiries for property tax payment information quickly and accurately. Like many departments in the Civic Center it needs additional and reconfigured space. The Grand Jury observed that the department is painfully out-of-date in its appearance. It does not inspire confidence in the operation of County government. Some of the observed problems were wires everywhere, shabby and worn out carpets, misplaced office equipment, inadequate lighting and apparent lack of ergonomic sense. The department needs an urgent and immediate facelift that will accurately reflect the professionalism of those who work there.

The Public Administrator's work area is extremely small and cramped. When the Grand Jury visited this office, members had to sit with their feet on top of cardboard boxes filled with personal effects from an estate. There is no secure place to hold this personal property other than the Administrator's office itself. The Public Administrator's workload is growing very rapidly, given the aging population of Marin. The Public Administrator needs adequate storage and workspace to safeguard and review the decedents' assets and records. Failure to provide adequate space will result in the Public Administrator being unable to respond to probate court requirements.

Like other departments, lack of space is a major problem in the Registrar of Voters' office as well. There is a lot of hands-on, labor-intensive work involved with processing

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<sup>2</sup> California Government Code Section 26802: Except as provided by law, the county clerk shall register as voters any electors who apply for registration and perform such other duties as are required of him or her by the Elections Code. In those counties in which a registrar of voters office has been established, the registrar of voters shall discharge all such duties vested by law in the county clerk that relate to and are part of election procedure.

<sup>3</sup> California Government Code Section 26802.5: In the Counties of Marin, a registrar of voters may be appointed by the board of supervisors in the same manner as other county officers are appointed. In those counties, the county clerk is not ex officio registrar of voters, and the registrar of voters shall discharge all duties vested by law in the county elections official that relate to and are part of the election procedure.

tens of thousands of absentee voter ballots. This work must be conducted both prior to and after an election. At the moment, the work is squeezed into the back of the Registrar of Voters' office.

The Grand Jury, while working at the Civic Center, has routinely observed (and assisted) members of the public wandering around the building looking for help with a property tax issue, seeking a passport, or wanting to pay an overdue bill. They often don't even know the name of the department that can help them, let alone where it is located. They are further confused by the physical layout of the place. Already dazed by the fact that when entering the building they had to go up two stories to get to the first floor, the poor souls then find they can walk right out to the parking lot from the same first floor. The visitor might wonder if the architect was M. C. Escher and not Frank Lloyd Wright.

The County Administrator, with input from the Treasurer, should consider moving all departments that deal with the public on a regular basis into contiguous space. This would include not only Treasury units, but also all units in other departments that have regular public interaction such as the Recorder's Office, Registrar of Voters, and County Clerk. The area providing the greatest ease of public access would be the lower floor of the Administration wing of the Civic Center Building. With appropriate signage and an information kiosk, the public would be much better served. It would then be easier to secure the entire Hall of Justice wing, where some of the departmental units are currently located.

### *Shortage of qualified employees*

As in many County departments, the shortage of personnel needed to fill current and future job openings plagues the Treasurer's office. In some areas, such as Central Collections, vacant positions have remained unfilled for long periods. With the projected retirement of a large percentage of County employees over the next five years, this problem will only intensify.

## **FINDINGS**

- F1. The Treasurer's Office is generally well run, well managed and staffed by competent and dedicated staff.
- F2. The new MERIT accounting system, as currently configured, does not fully support the Treasurer's arrangement with its banks to prevent fraudulent check cashing. This requires maintaining a separate system for this purpose. MERIT is also deficient in its ability to support daily reconciling of checks issued.
- F3. There are not adequate policies or procedures for the timely and acceptably documented transfer of delinquent balances to Central Collections. Policies are also inadequate to assure timely billing by County departments.

- F4. Central Collections needs procedures for managing their aged balances, including relief from uncollectible accounts.
- F5. Marin is unusual in having the Registrar of Voters report to the Treasurer, an elected official. Practically no other county in California has such an arrangement.
- F6. Departments within the Treasurer's Office that have regular public contact are scattered throughout the building, making public access difficult.
- F7. Additional storage and work space is needed throughout the Treasurer's Office.

## RECOMMENDATIONS

The Grand Jury recommends that:

- R1. The Treasurer and the Auditor-Controller collaborate to make revisions to the MERIT system so that Treasury can continue to prevent fraudulent check cashing and allow for daily reconciliation of County funds.
- R2. The County Administrator, Treasurer and Auditor-Controller establish written countywide policies and procedures for surrendering delinquent balances **to** Central Collections.
- R3. The Treasurer and the Auditor-Controller establish written policies and procedures **within** the Collections Department to handle the increased flow of delinquent accounts.
- R4. The Board of Supervisors takes the necessary steps to make the Registrar of Voters an appointee of the Board with a freestanding department.
- R5. The County Administrator, with input from the Treasurer, rearranges the Treasurer's offices to provide easier public access and more efficient space for staff and storage.

## REQUEST FOR RESPONSES

Pursuant to Penal Code section 933.05, the Grand Jury requests responses as follows:

From the following governing body:

- The Marin County Board of Supervisors: F5 and R4

The governing body indicated above should be aware that the comment or response of the governing body must be conducted in accordance with Penal Code section 933(c) and subject to the notice, agenda and open meeting requirements of the Brown Act.

The California Penal Code section 933(c) states that "...the governing body of the public agency shall comment to the presiding judge on the findings and recommendations pertaining to matters under the control of the governing body." Further, the Ralph M. Brown Act requires that any action of a public entity governing board occur only at a noticed and agendized public meeting.

From the following individuals:

- The Marin County Treasurer: F1 through F7; R1 through R5
- The Marin County Auditor-Controller: F2, F3, F4; R1, R2, R3
- The Marin County Administrator: F2, F3, F6, F7; R1, R2, R5
- The Marin County Registrar of Voters: F5 and R4

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person, or facts leading to the identity of any person who provides information to the Grand Jury. The California State Legislature has stated that it intends the provisions of Penal Code Section 929 prohibiting disclosure of witness identities to encourage full candor in testimony in Grand Jury investigations by protecting the privacy and confidentiality of those who participate in any Grand Jury investigation.
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